EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.31,069 • FINANCIAL TIMES 1990 | Thursday February 8 1990 | D 8523A

IRELAND
Eager to escape life on periphery
Page 3

World News

Washington raises status of European Community

The US agreed to upgrade the diplomatic standing of the EC by treating its representative in Washington like the ambassador of an independent country. The EC has up to now had international organisation status.

The change, sought by Commission President Jacques Delors, symbolises the increased importance which the Bush Administration now attaches to the EC. Page 14

Italy customs strike
Thousands of trucks were blocked at main border crossings between Italy, France and Austria as Italian customs officers refused to work overtime.

US goes for Green
The American public favours government spending on the environment, even if that results in slower economic growth, according to a survey. Page 6

Taiwan democracy
Taiwan's parliament is bracing itself as newly elected opposition members are expected to attempt to disrupt swearing in ceremonies with calls for full democracy. Page 4

Loire dam reprieve
French environmentalists claimed victory as the Government reconsidered a dam-building plan on the river Loire and its tributaries. Page 3

Romanian power
Romania's National Salvation Front, formed during the December uprising, will tomorrow begin to share power with the newly formed Council for National Unity. Page 3

35 die in Karachi
Security forces and anti-government protesters fought gun battles in Karachi where 35 people died and 110 were injured. Page 4

IRA bombs Shorts
The IRA bombed the Belfast factory of aircraft manufacturers Shorts and threatened to kill all workers involved in military contracts. Page 8

Jackson in Pretoria
US civil rights campaigner Jesse Jackson arrived in South Africa with a message designed to soothe the anger he has provoked from the white-led Pretoria government. Page 4

Ivory ban 'working'
An international ban on ivory trading is proving effective in the struggle to save Africa's elephants, a World Wide Fund for Nature official said.

Counterfeit coins
Japanese police plan to send investigators to Britain and Switzerland to try to discover the source of counterfeit gold coins with a face value of $70m. Page 4

Czech explosion
An explosion which ripped through a Soviet weapons arsenal in Czechoslovakia was caused by careless handling of ammunition by Soviet soldiers, the Czech state news agency said. Page 2

French drug move
France plans to oblige banks to call in the authorities if they suspect an account is used for earnings from drug trafficking. Page 14

AIDS breakthrough
Kenyan researchers announced the development of a new drug for the treatment of AIDS patients which they say eliminated most of the symptoms of the disease within four weeks during clinical trials.

Meeting of minds
The brain of late Nobel laureate Andrei Sakharov joined those of Lenin, Stalin and other academics and politicians being studied at a Moscow institute, the Trade Union daily Trud said.

Business Summary

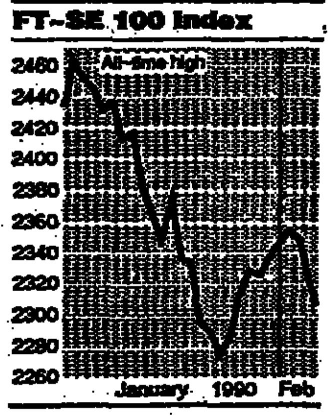
CRA to take miners away from troubled Bougainville

CRA, the Australian resources group, announced plans to withdraw all its employees from the giant Bougainville copper and gold mine in Papua New Guinea, raising the possibility that the mine might never reopen.

The announcement followed the 11th death there in a 15-month campaign of murder and sabotage by militants seeking permanent closure of the mine. Page 14

MARKETS: Weakness in bond markets, both in the UK and elsewhere, drove equities lower in London yesterday, Page 25. Heavy selling pressure gave Tokyo shares prices a beating,

FT-SE 100 Index



Back page, Section II. Paris slightly lifted off its lows but shares still closed lower. Back Page, Section II. Argentina's currency, the austral slumped even further. Page 6

POLAND'S IMF-approved austerity programme, aimed at squeezing inflation, saw sales by industry fall by 20.9 per cent against January last year in its first month. Page 2

TAYLOR WOODROW, British construction group, is to build two fast-food Pizza Hut restaurants in Moscow. Page 6

NESTE, Finnish state-owned oil and chemicals company, and Petro-Canada, a state oil group, are to build Canada's largest methyltertabutylene ether plant near Edmonton. Page 6

AN INTERNATIONAL agreement on rules governing subsidised export credits is being halted by a dispute between the US and Europe on farm credits. Page 6

EUROPEAN Community is likely to act in the next two years to compel companies to carry out regular audits of their environmental performance. Page 8

SWISS BANK Corporation is restructuring its top London management following a tumultuous period at the UK division. Page 15.

RUSSELL GOWARD became the latest Australian entrepreneur to fall victim to his bankers as a provisional liquidator was appointed to Westmex, the principal company in his empire. Page 15

CHASE MANHATTAN has set up a licensed Dutch banking unit. Page 18

OPEC secretary general Dr Subroto, citing rising demand for oil, said members would need to spend about $60bn over the next five years to fund an increase in productive capacity. Page 24

FOREIGN banks lent more to China in the third quarter, despite the Tiananmen Square massacre, according to figures from the Bank for International Settlements. Page 18

DEUTSCHE Genossenschaftsbank, umbrella organisation for the German co-operative banks, is forming a 50-50 joint venture with TC Ziraat Bankasi, Turkey's largest credit institution. Page 18

HUNGARY'S first quoted fund to be dedicated to equity investments came to the London market with an offer for subscription to raise up to $100m. Page 18

Soviet Communists to abandon Party's grip on absolute power

By Quentin Peel and Mark Nicholson in Moscow

THE Soviet Communist Party yesterday agreed to abandon its 70-year-old hold on absolute power, paving the way for a multi-party democracy.

The decision ends an uninterrupted period of dictatorial rule stretching back to 1917 when the Bolsheviks, led by Lenin, seized power.

The historic decision by a deeply divided ruling Central Committee was a recognition of massive popular discontent, the loss of the party's political authority and a major victory for Mr Mikhail Gorbachev, the Soviet leader.

The decision came after three days of bruising and divisive debate, pitting loyal party conservatives against radicals who favour opening the Soviet system to multi-party democracy.

The only vote against came from the maverick radical, Mr Boris Yeltsin, apparently convinced that Mr Gorbachev had still presented too feeble and tardy a package of reforms to appease the conservatives.

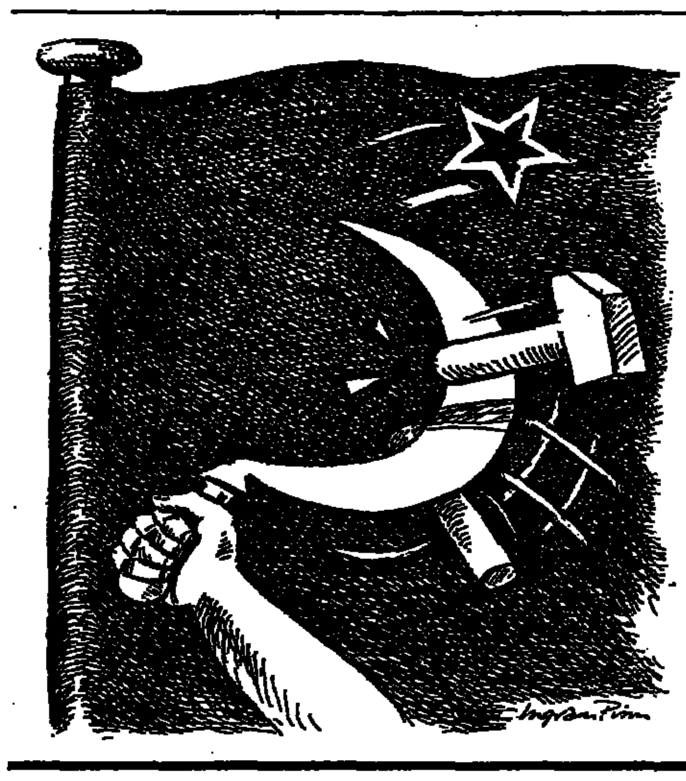
"We decided to reject the leading role of the party in the constitution," said Marshall Sergei Akhromeyev, Central Committee member and military adviser to Mr Gorbachev immediately after the plenum.

The vote by the Soviet Communist party follows the effective abolition of the Communist grip on power elsewhere in eastern Europe.

Key elements in the platform include not only agreeing to abandon the constitutional guarantee of the party's leading role – Article 6 – but also a radical shift to grass-roots democracy, ending the Leninist tradition of democratic centralism to enforce party discipline.

It also attempts to extend the powers of the state president, independent of the party, to reduce the size of the Central Committee to 200 members, and create a new Political Executive Committee with representatives from all 15 republics and the new post of party chairman.

The Communist Party monopoly will not disappear
Continued on Page 14
Kremlin conservatives yield to public opinion, Page 2



From revolution to reform

- 1903: Social-Democratic Workers' Party splits into Bolsheviks and Mensheviks
- 1917: February and October revolutions; Lenin takes power; Trotsky organises Red Army
- 1922: Stalin becomes party General Secretary; Soviet Russia renamed USSR
- 1924: Lenin dies; Stalin's ascendancy begins
- 1928: First five-year plan
- 1929: Stalin takes absolute power; Trotsky exiled abroad
- 1953-55: Khrushchev-Malenkov division of power
- 1955: Khrushchev ousts Malenkov
- 1964: Brezhnev ousts Khrushchev
- 1982: Brezhnev dies; Andropov then Chernenko hold power
- 1985: Chernenko dies; Gorbachev programme of glasnost and perestroika begins
- 1990: Communists abandon power monopoly

Baker proposes a Magna Carta for Europe

By Lionel Barber in Prague

A MAGNA CARTA for Europe, aimed at institutionalising the overthrow of communism and overcoming political and economic divisions on the Continent, was outlined yesterday by Mr James Baker, US Secretary of State.

In a speech in Prague before travelling to Moscow, Mr Baker set out a framework for integrating the emerging democracies of Czechoslovakia, Hungary and Poland into a new European order based on free elections and market economies.

In a reference to Romania and East Germany, Mr Baker said that "rearguard actions" which might interfere with free elections would not be tolerated.

The cornerstone of the plan would be a new security system emerging from the Conventional Forces in Europe (CFE) agreement between Nato and the Warsaw Pact, expected to be signed later this year.

Mr Baker also unveiled an economic aid package for Czechoslovakia and pledged support for its tentative moves toward closer economic ties with Hungary and Poland. A new regional association, he said, could lead to a "special relationship" with the European Community, the European Free Trade Association (Efta), or the US.

Speaking to an audience of students and dignitaries at Charles University, Mr Baker began on an emotional note, recalling how Czechoslovak democracy and self-determination was crushed first by Hitler in 1938 and then by the Communists in 1948 and Warsaw Pact tanks in 1968.

"Never again should you – or any other people – have totalitarianism steal away your freedom," he said.

His main theme, however, was to show how Czechoslovakia and its neighbours could move from revolution to lasting democracy. He paid tribute to President Mikhail Gorbachev of the Soviet Union for encouraging reform in eastern Europe.

Mr Baker announced yesterday that the US would take part in a 35-nation CSCE conference this year in Copenhagen on condition that "sub-
Continued on Page 14

W Germany offers talks on currency union

By Andrew Fisher in Frankfurt

THE PROSPECT of a reunified Germany drew markedly closer yesterday as the West German Government offered immediate talks on currency union to East Germany and set up a special cabinet committee to discuss the unity of the two countries.

Chancellor Helmut Kohl made clear that this startling pick-up in the speed of the unification process was prompted by the deteriorating East German economy as thousands of dissatisfied citizens continued to cross the border into the west.

"Developments in East Germany have accelerated rapidly in recent weeks," Mr Kohl said. "The question of German unity has become a dominant theme. All political forces in East Germany are now committed to this objective." Decisions would be needed before the East German elections on March 18, he said. The elections have already been brought forward from May 6.

Mr Kohl will put the offer of currency union - which would mean that the strong D-Mark would take over from the weak East German Mark - to Mr Hans Modrow, the East German Prime Minister, when he visits Bonn next Tuesday.

In Brussels, the European Commission said Mr Kohl had given assurances yesterday that the inter-German monetary talks would not delay Community moves towards economic and monetary union.

The Bonn Government's move was clearly aimed at putting pressure on the East Germans to speed up the pace of change. Speaking of a possible "German-German economic miracle," Mr Helmut Haussmann, the West German Economics Minister, said the necessary free market reforms could occur only after the March 18 election.

Talks with Mr Modrow's Government had not yielded adequate results. The pre-conditions for currency union were freedom of commercial activity and investment, and reform of prices and taxes.

"The question of confidence is vital," said Mr Axel Siedenberg, an economist with Deutsche Bank. "This applies both to people in East Germany and to foreign investors."

Attending yesterday's Bonn cabinet meeting was Mr Karl Otto Pöhl, president of the Bundesbank, who said on Tuesday that talk of monetary union was "premature." Mr Horst Kaminsky, president of the East German State Bank, agreed with him but added: "We do not have much time. The citizens of East Germany expect effective measures soon."

Mr Theo Waigel, the Bonn Finance Minister, said the offer of currency union was made because the situation in East Germany was nearing crisis. He stressed Mr Pöhl agreed with this view.

Bonn gave no details of how it expected currency union to be achieved and how quickly.

West Germany's unity committee, to be chaired by Mr Kohl, will consider such "problem areas" as monetary union, economic reforms, foreign policy and defence.

It will involve the main Bonn ministries and experts outside the Government, in particular the Bundesbank, the West German central bank.

However, Mr Hermann Remsperger, economist of BHF-Bank, echoed Mr Pöhl's recent caution.

"We have to beware of the illusion that currency reform will solve everything," he said. "The East German economy lags way behind West Germany's and this gap cannot be papered over by currency reform."

● Chancellor Kohl will travel to the US on February 24 for talks with President Bush on German unity, east-west relations, and defence and disarmament. The two-day talks at the Camp David weekend retreat will also cover relations between the European Community and the US.

Bonn link may speed EC monetary union, Page 2; A shared D-Mark, Page 12


Karl Otto Pöhl, Bundesbank president, (right) in discussion with Theo Waigel in Bonn yesterday

Japanese banks will write off up to 70% of loans to Mexico

By Robert Thomson in Tokyo and Stephen Fidler in London

JAPANESE BANKS are set to write off as much as 70 per cent of their medium and long-term loans to Mexico following a debt restructuring deal being signed with banks, Japanese bankers said yesterday.

The large-scale write-offs will cover medium- and long-term loans to Mexico made by 29 Japanese banks with a face value of about Y1,300bn ($8.9bn). The write-offs will be made in the current financial year, ending March 31.

Signing began on Sunday on a comprehensive restructuring for Mexico's $48.5bn in medium and long-term loans from 450 foreign banks. Under the agreement, banks could elect either to make new loans or swap their loans for bonds.

These bonds either carried a face value of 65 per cent, or a low interest rate of 6¼ per cent.

They carry guarantees of 18 months of interest and of principal after 30 years.

The write-downs by the Japanese banks will be deeper than that, however, because the new bonds, which will be listed from March 28 on the Luxembourg stock exchange, are expected to trade significantly below face value.

The banks are expected to make up these large shortfalls partly through recognising unrealised gains on some of their huge holdings of shares in other Japanese companies and banks – by selling them on the stock market – and partly through enlarged tax credits which have apparently been agreed by the Ministry of Finance.

The Federation of Bankers' Associations of Japan said Japanese banks were "very fortunate because they have a great potential to write off the loss," while a senior official at an affected Tokyo bank said that "it is very easy for us to sell stocks.

"We are likely to sell some stocks in manufacturing and some of our cross-holdings in other institutions. These shares have a book value that is many years old, so it will be easy for us to make a profit and we will increase the cross-holdings again later," the official said.

The Japanese banks had been expected to make significant new loans under the Mexican package. But in the event none of them lent new funds and all chose to swap their loans for bonds.

This suggests a desire of Japanese banks, now they have enlarged tax benefits, to extract themselves from the Third World debt issue.

Following a speech in March by Mr Nicholas Brady, US Treasury Secretary, the focus of the international debt strategy has shifted over the past Year away from granting new loans to problem debtor countries and towards reducing those countries' bank debts.

However, the new debt reduction strategy has been criticised as being inadequately funded. This means that although the focus has shifted to reducing debts, some banks will still be expected to make new loans.

Japanese banks escape with cuts and bruises, Page 15

CONTENTS

Hong Kong professionals reach for their bags

Despite a new smooth-talking Chinese ambassador, employment surveys show growing despair in Hong Kong. Only this week Chinese Prime Minister Li Peng (left) came out with more ominous comments. Page 4

MARKETS

STERLING
New York lunchtime:
$1.6975
London:
$1.6995 (1.7025)
DM2.8125 (2.8225)
FFr9.5725 (9.6075)
SFr2.515 (2.515)
Y247.25 (247.0)
£ Index 89.2 (89.3)

GOLD
New York: Comex Apr
$423.1
London:
$422.75 (421.25)

N SEA OIL (Argus)
Brent 15-day Mar
$19.70 (19.875)

Chief price changes yesterday: Page 15

DOLLAR
New York lunchtime:
DM1.65375
FFr5.63
SFr1.481
Y145.5
London:
DM1.6545 (1.6575)
FFr5.6325 (5.6425)
SFr1.4805 (1.477)
Y145.45 (145.1)
$ Index 66.7 (66.6)
Tokyo close: Y145.1

US Lunchtime Rates
Fed Funds 8⅛%
3-mo Treasury Bills:
yield: 8.067%
Long Bond:
94¾
yield: 8.603%

STOCK INDICES
FT-SE 100:
2,307.4 (−13.7)
FT Ordinary:
1,828.2 (−9.4)
FT-A All-Share:
1,154.55 (−0.5%)
New York lunchtime:
DJ Ind. Av.
2,618.02 (+11.71)
S&P Comp
331.13 (+1.47)
Tokyo: Nikkei
37,301.87 (−364.96)

LONDON MONEY
3-month interbank:
closing 15⅛% (15$\frac{3}{32}$)
Little long gilt future:
Mar 86$\frac{27}{32}$ (87⅛-86$\frac{27}{32}$)

Sweden set to introduce crisis check on economy

By Robert Taylor in Stockholm

SWEDEN'S Social Democratic Government was last night putting the final touch to emergency measures needed to deal with the country's economic crisis, which are believed to involve a price and rent freeze next year and a 6 per cent national wage increase norm.

Mr Sten Andersson, the Foreign Minister, is believed to be unhappy with parts of the tough package that has been prepared by Mr Kjell-Olof Feldt, the Finance Minister, to cool down the overheated economy. Other measures are expected to include stiff credit restrictions, a tax on employers who pay their workers more than a 6 per cent rise next year, a postponement of a legal requirement for six weeks annual holiday as well as a tightening up of regulations on sickness benefit and unofficial strikes.

The party's members of parliament were meeting late last night to hear the details of what the Government intends to do about the deteriorating situation. Mr Feldt is expected to present his proposals before parliament this morning. He seems determined to take whatever action he believes necessary, even if this means dropping traditional Social Democratic policies to reassure international confidence in the Swedish economy, while his colleague Mr Andersson, defender of the old faith, wants to protect the Swedish welfare state at almost all costs.

With the looming threat of widespread disruption from next Wednesday in Sweden's public services and the continuing deadlock in the 10-day bank lock-out there is a mounting sense of crisis. Ministers hope that the public service workers will call off their strike threat in pursuit of a 14.5 per cent wage claim that would paralyse the economy. They have been offered rises of 12.5 per cent from June.

Yesterday afternoon Mr Carlsson with other ministers met the leaders of the trade unions and the employers to try and find a solution to the country's economic problems through a national agreement.

Kremlin conservatives yield to the weapon of public opinion

By Quentin Peel in Moscow

THE rumours were right. Mikhail Gorbachev had the central committee of the Communist Party stitched up before it started.

How else could he have bounced through a revolutionary package of party reforms, including effective abandonment of the party's monopoly on power, all of which must stick in the gullet of the great majority of his audience?

Yet the question remains whether he has done enough to save the party from eventual disintegration. Many radicals would also argue that he has moved too little, and too late, to match the country's mood.

Be that as it may, the Soviet leader, who could not have reached the position he has without being a consummate politician and manoeuvrer, exploited the rapidly rising popular discontent in the country to shame and frighten the conservative rump of his party leadership into accepting a course which must eventually lead to their own demise.

Less obviously, he may have used the threat of exposure for corruption and mismanagement against his more die-hard critics to enforce their ultimate obedience to the party line. In the end it appears to have been only that dedicated rebel, Mr Boris Yeltsin, who dared to vote against, presumably convinced that Mr Gorbachev had still compromised too much in trying to preserve party unity.

Politically, what swung it in the end appeared to have been the relative unanimity of the politburo, or at least the unwillingness of the likes of Mr Yegor Ligachev and Mr Vitaly Vorotnikov, instinctive conservatives, to come out in open confrontation.

There was clearly a politburo line on party democracy, but less clarity on the question of the party monopoly. Mr Ligachev talked only about unity and discipline. He called for the expulsion from the party of "anyone participating in anti-socialist, nationalist organisations," which would decimate its ranks in the non-Russian republics. But he did not comment on Article 6 of the constitution at all.

It was ironic that it was only Mr Yeltsin who voted against the platform. Indeed, that suggests it may be the radicals who split from the party in the end, leaving conservatives and centrists behind.

Logically, however, the conservatives are far more out of tune with the mood of the leadership than the radicals.

Many observers are now convinced that the party will split, but the conservatives are determined to be the inheritors of the party orthodoxy, and if possible some residue of its network of control in the country. The split seems most likely to come after the next congress – in the summer now, not the autumn – rather than before.

A divided party would then provide the nucleus for a future multi-party system. Yet it is a vision that most Communists still abhore.

Mr Gorbachev has carved out a solid position for himself as executive President, with party approval for a substantial increase in his powers "to ensure the survival of perestroika." He still does not seem ready to abandon the party to its fate, however. He insists that the multi-party system his reforms will, eventually, allow is "no panacea."

Yet he has changed his views on the multi-party system, which only a few months back he called "rubbish". He has changed his views on Article 6 within two months: in December he said that any discussion was premature.

He is using the public mood to reform his own party. But he is also having to change desperately quickly to keep up.

Perhaps the greatest threat of all to his position remains the dire state of the economy. That was the gloomiest side of the whole plenum, with speaker after speaker, including Mr Nikolai Ryzhkov, the Prime Minister, admitting to the disintegration of economic links and the old state apparatus, with nothing to put in its place. There seems little prospect of the economy bottoming out in less than three years.

Economic resentment has fuelled the revolt against the party apparatus, and the party itself is hopelessly identified with its bureaucratic structure. Abandoning Article 6 alone will certainly not be enough to dampen that revolt.

HOW THE PARTY MAINTAINS ITS GRIP ON THE LEVERS OF POWER

THE Communist Party's constitutional monopoly on power is enshrined in Article 6, but its actual grip over the Soviet system stems from its structure as a parallel government at all state levels and through patronage over virtually all state appointments, writes Mark Nicholson.

The party may in fact rule the Soviet Union, but in theory it does not govern. Government lies in the hands of state bodies, the soviets (councils) and ministries, at national, republican and smaller, regional levels. It is the duty of the party's 20m members – about 10 per cent of the country's adult population – to ensure that government is always in accordance with Communist principles.

The party achieves this in organisational terms by ensuring that virtually all state bodies have a parallel, and often dulpicating, party committee in supervision.

At the base of the pyramid are some 450,000 party cells in workplaces across the Soviet Union. Since Lenin, it has been the duty of party members to form a cell or committee where they are three or more in number.

These cells direct the work in their host factories, farms and offices according to party guidelines. And though the party members are in theory subordinate to their workplace managers, party committees are, for instance, responsible for ensuring that any enterprise meets planned targets.

The line between management and party control, however, is blurred by the fact that managers of Soviet enterprises are often themselves party members.

Above the cells rises a pyramid of city, county and regional party committees, the secretariats of which by and large replicate the state institutions and play the party hand in each. A regional party, for instance, will have an agricultural secretariat which will shadow, and influence, the region's agricultural ministry.

At the apex of the party pyramid is the central committee, which until 1988 headed an apparat of 25 departments, again duplicating and influencing the national state governing bodies.

Under Mr Mikhail Gorbachev, this apparat has been slimmed to six policy commissions, but the huge apparatchiki, or party civil service, continues to oversee and influence all levels of state activity.

Apart from ensuring power through this ubiquitous parallel structure to state government, the party also controls the appointments to virtually all leading state posts. This patronage system is known as the nomenklatura, and operates at all party and state levels.

A Central Committee member is beseiged by reporters as he leaves the meeting

Prague blames explosion on Soviet troops

AN EXPLOSION which ripped through a Soviet weapons arsenal and exercise area in south-east Czechoslovakia was caused by careless handling of ammunition by Soviet soldiers, the Czech state news agency CTK said yesterday, agencies report from Prague.

The Czechoslovak Defence Ministry said the explosion late on Tuesday in the military area of Libava occurred when Soviet troops blew up an ammunition dump in violation of regulations.

No one was hurt but, according to eyewitnesses reported on Czech radio, the explosion sent a mushroom-shaped orange cloud into the sky and sparked a forest fire. Windows were smashed and buildings damaged in a village 9km away. Firefighters rushed to the site of the explosion but could not gain access.

The Defence Ministry said the Soviet army had agreed to pay for the damage. Civil defence experts found no evidence of radioactive debris.

The explosion is likely to intensify calls in Czechoslovakia for the withdrawal of the 75,000 Soviet troops stationed in the country. Talks on the pull-out, which Czechoslovakia wants to be completed by the end of this year, were set to resume in Moscow yesterday.

Czechoslovaks have been demonstrating against the presence of the troops and 30,000 people massed in Prague on Tuesday, shouting "Ivan, go home!".

CTK reported that the demonstrations were criticised in Moscow yesterday by Mr Ivan Aboimov, the Soviet Deputy Foreign Minister who heads the Soviet delegation at the troops talks. Mr Aboimov expressed his "sincere wonder" at the protests.

He told CTK he was surprised at such emotional outbursts "at a time when these very important talks have been opened". The fact the Soviet Government agreed to hold the talks at all showed its willingness to withdraw the troops, he said. He added that the key problem was the timetable for the withdrawal.

Prague dismissed Soviet criticism of the demonstrations and blamed Moscow for causing tension by delaying the troop withdrawal.

Bonn link may speed EC monetary union

By David Buchan in Brussels

WEST Germany's decision to start negotiating monetary union with East Germany before holding talks with its European Community partners could perversely speed progress towards a common EC currency, European Commission officials predicted yesterday.

This was because it would demonstrate the political limits of the Bundesbank's power, they said.

After a meeting devoted largely to German unity, the Commission issued a statement noting that Chancellor Helmut Kohl had assured it yesterday that the monetary discussions between the two Germanys would "involve no delay in following the Community calendar" towards economic and monetary union (Emu). Formal negotiations on Emu among the Twelve are set to begin at the end of this year.

But Commission officials expressed their private belief that the Bonn Government's overruling of Mr Karl Otto Pöhl, the Bundesbank president, could set a precedent for faster monetary progess at the Community level.

Only on Tuesday Mr Pöhl was cautioning that German monetary union was some way off. Mr Pöhl, head of the Community's most powerful central bank and currently of the committee representing all EC central bank governors, has been a strong advocate of cautious movement towards Emu.

"When Mr Pöhl next lectures us on the need for economic convergence to precede or parallel monetary union, we can say: 'You didn't do that with East Germany'," one EC official commented yesterday.

No one in Brussels, however, is forecasting with any certainty the technical implications of Bonn's latest move for progress towards Emu at the Community level. On the one hand, it is argued that monetary union with East Germany could weaken the D-Mark in the medium term through pent-up inflationary pressures in the East Germany economy.

But so far talk of Germany unity has only served to strengthen the West German currency, prompting pressures by the Bundesbank for the D-Mark to be revalued against other currencies in the European Monetary System. However, any EMS realignment has been fiercely resisted by Bonn's partners, notably France, not least because it would appear to show that EC currencies were far from ready to be locked together.

AN opinion poll has confirmed that the East German Social Democratic Party (SPD) is likely to emerge as the most important political party after free elections next month, David Goodhardt reports.

The East German poll of 1,000 citizens gave the SPD 54 per cent support. The next most favoured party was the SED, the former ruling party, with 12 per cent. The East Christian Democratic Union (CDU) received 11 per cent, New Forum 4 per cent and the Liberal Democrats 3 per cent.

The SPD has the advantage of considerable support from its sister party in West Germany. Now the West German CDU has given its blessing to a new centre-right coalition.

Yugoslavia bid to join Council of Europe

YUGOSLAVIA yesterday applied for membership of the Council of Europe, becoming the third eastern European country to apply to join the institution recently, AP reports from Strasbourg.

Mr Milutin Simic, Yugoslavia's Consul General, formally made the application to Mr Gaetano Adinolfi, assistant Secretary General of the 23-nation Council, which has its headquarters in Strasbourg,in eastern France.

In the past four months, Poland and Hungary have also asked for membership of the Council, an advisory body best-known for promoting human rights and parliamentary democracy.

The three countries and the Soviet Union already enjoy "special guest status" allowing them to address the body but not participate in decisions.

Mr Simic's letter says that "membership for Yugoslavia results naturally from the development of relations between Yugoslavia and the Council of Europe."

Falling sales hit industry in Poland

By Christopher Bobinski in Warsaw

THE FIRST month of Poland's IMF-approved austerity programme, which is aimed at squeezing inflation, saw sales by industry fall by 20.9 per cent against January last year.

The food processing industry, the state statistical office reported, was the hardest hit with sales falling by 41.6 per cent. The clothing sector saw sales fall by 28.1 per cent while the engineering sector posted a rise of 14 per cent.

Factory gate prices rose by 90 per cent compared with December. Preliminary estimates have put retail prices' growth at around 70 per cent in the first month of this year.

There was a $13.4m hard currency trade surplus with the west in January. Exports fell by 21.7 per cent and imports by 14.2 per cent compared with January 1989.

● Rising coal production costs in January have added Zl 3,100bn ($322m) to mine subsidy allocations in this year's draft budget.

Revenues are to be increased by the same amount to balance spending in line with IMF guidelines. The budget now going through Parliament is to be approved later this month.

Turkey protests Komoini clash

The Turkish foreign ministry last night protested against the beating up by a Greek crowd of a state television crew in Komotini, western Thrace, which was the scene of ethnic clashes between Turks and Greeks late last month, writes Jim Bodgener in Ankara.

The crew, together with a Dutch journalist were assaulted outside a court which rejected the release on appeal of two ethnic Turks convicted of promoting Turkisn interest in November's Greek general elections, according to a report from the Anatolian news agency.

However the Turkish protest was relatively low key, requesting Athens through the Greek embassy in Ankara to provide adequate protection for television crews.

The Ministry's public statement, however, failed to mention the continued detention of the two men, Mr Sadik Ahmet and Mr Ibrahim Sherif.

They each received 18 months imprisonment and three years deprivation of civil rights when they were sentenced by the Komotini court 12 days ago.

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, (Guiollettstrasse 54, 6000 Frankfurt-am-Main 1: Telephone 069-75980; Fax 069-722677; Telex 416193 represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, R.A.F. McClean, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London. Printer: Frankfurter Societaets-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Sir Geoffrey Owen, Financial Times, Number One Southwark Bridge, London SE1 9HL.

FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second-class postage and at New York NY and at additional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

Financial Times (Scandinavia), Ostergade 44, DK-1100 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

Hungarian airline's high-flown ambitions stuck in the terminal

Paul Abrahams on Budapest's aspirations to become an east European hub

THE NEW terminal at Budapest airport represents the cornerstone of Malev Hungarian Airlines' ambitions to create an east European hub.

To achieve that ambition, Malev has already leased three Boeing 737s, ordered three more and announced its intention to obtain seven others over the next seven years. With such a fleet and its new $36m terminal, the airline hopes the Hungarian capital will become the staging-post of eastern Europe, competing successfully against Belgrade and Vienna for flights from the Near and Far East to the rest of Europe.

A visit to the terminal suggests Malev's ambitions are not too unrealistic. The building, completed by West German and Austrian construction companies in 1985, would not look out of place at any west European airport. The light-grey decor is attractive and unlikely to date quickly. The facilities also look excellent, with Otis escalators which start as you step on them and stop when you hop off.

The building is an enormous improvement on the old terminal, which is about to be redeveloped for domestic, charter and small aircraft operations.

The new terminal demonstrates the airport's capitalist ambitions. Luggage trolleys all carry publicity advertising Samsung videos, audio equipment, television and computers. Around the walls are posters proclaiming the merits of duty-free Martini, while Marlboro cowboys with bronzed and ravaged faces advertise cigarettes.

The difficulty is that there is a considerable difference between rhetoric and reality.

The Otis escalators, smooth as they are, do not have to run that often. On this particular winter afternoon, the airport is almost completely empty. During the winter there are 120 movements (take-offs and landings) a day at the most and even during the summer there are only 180. Frankfurt airport, one of west Europe's hubs, handles that sort of volume in little more than two hours.

On the observation terrace, the tables are deserted, covered in a fine layer of grime deposited by the pollution in Hungary's atmosphere. The duty-free shops are not only empty but for the most part abandoned and closed.

When a passenger has arrived at the coffee lounge, the staff seem rather put out. The switch from a culture of provision to a culture of service, proclaimed by airport managers, does not seem to have registered with some of their employees.

At the information desk nobody speaks English and a British journalist's inadequacies with the German language are made painfully apparent. Meanwhile, one of the security guards is perusing a copy of Playboy magazine at the bookstall.

Some care has been lavished on the terminal – but the execution has not always been successful. There are telephones throughout the building. Some have been specially installed at a height at which people in wheel-chairs can reach them. But when you try to make a call, all the lines are engaged.

Care has also been given to the lavatory facilities which are kept immaculately. There is even a condom machine, with a sticker on it proclaiming "No AIDS". The condoms, which cost 40 Forints (38p) a packet, are called for some inexplicable reason "I ♥ Robinson". On that evening, however, the machine was empty.

Irish youth eager to escape life on the periphery

Kieran Cooke visits Inishbiggle, an island seemingly tailor-made for EC aid to distant places

ON Inishbiggle, Sunday mass is on a Monday. Inishbiggle is an island a little over a square mile in area off the coast of County Mayo in the far west of Ireland.

Fr Tuffy, the local parish priest, is busy elsewhere in his sprawling parish on Sundays, so mass on Inishbiggle is delayed a day.

The journey to the island by small boat is short but often treacherous. On many days in the year the island is cut off. The Atlantic waves, crashing in from the Americas, have claimed several lives. Four centuries ago remnants of the

European Diary

Ireland

Spanish Armada, struggling home after defeat by Drake and the English fleet, were wrecked in nearby Blacksod Bay.

There are 75 people on Inishbiggle – 72 Roman Catholics and three Protestants. Yet the only church belongs to the Protestant Church of Ireland, built by evangelists active in the area more than a century ago.

Mass takes place in the island primary school, which also functions as community hall, medical centre and general meeting place. A peat fire burns in the grate. Joseph Calvey, 13, one of only two pupils left at the school, acts as altar boy.

"These people have very little," says Fr Tuffy. "There are no jobs. Everyone is on the dole. Homes are empty with sons and daughters gone to England to find jobs."

Ireland has been granted nearly I$3bn (£2.8bn) of EC funds over the next three years to overcome what in the new Eurospeak is described as "problems of peripherality".

Inishbiggle is not just on the edge of Europe. It is also on the periphery of Ireland, light years away from Dublin's money market men and talk of an Irish economic revival.

Fr Tuffy has been in the area for 12 years. His parish takes in Inishbiggle and thousands of acres of sparsely populated bogland on the mainland.

"When I came here there were more than 1,400 in the parish. Now there are less than 900. The worst of it is that there are so few young people. There are only about 20 left between the ages of 18 and 30. The rest have all gone away, some to America but most to England."

There is no mains water supply, no shop or pub on Inishbiggle, only a post office.

Mrs O'Malley, the postmistress, hands out the dole cheques every Tuesday. Until Christmas when new phones were put in, Mrs O'Malley had the only telephone on the island. She had a special flag-waving system to tell people when a son or daughter was phoning from London or Boston.

Over pots of tea and plates of cake, talk turns to the old days. Mr Paddy Henry was born on the island 70 years ago.

"There were once men called gaffers who used to come to the island rounding up people to go potato picking in Scotland and England. A local fella hit one of them over the head. He ran away from the island thinking the gaffer was murdered. He took up tailoring. Then one day someone told him the gaffer wasn't dead at all, but was in fine health. So he came back, and still we call that stretch of land down there "Tailor's Bog".

More tea from Mrs O'Malley. "We might not have much here but at least there's a hot drink on a cold day. Over there [a nod of the head to the mainland] they wouldn't ask if you had a mouth on you."

Mr Henry remembers when there were many more people on Inishbiggle. Empty and dilapidated cottages are testimony to more vibrant days. In the late 1950s there were more than 30 children at the island school.

"We used to have dances and cards games in each others' houses. With the TV and the young people gone that sort of thing has disappeared."

Mr Henry is on the Inishbiggle Community Council, which is lobbying the Irish Government for some sort of connection between the island and the mainland.

Four years ago an engineering company carried out a study into ways Inishbiggle might be linked with the outside world. The best and cheapest solution was a cable car connecting Inishbiggle with Achill, a larger island linked by bridge to the mainland.

Never on a Sunday: Fr Tuffy, left, and a boatman set off for Inishbiggle's Monday mass

Islanders say the cable car would cost less than half a million pounds. A French company which specialises in installing such equipment in maritime conditions is believed to have put forward a very competitive proposal.

Inishbiggle made an application for funding for the cable car project under the EC structural funds programme. But so far there is no sign of the island receiving anything.

"We can never get a straight answer from them fellas in Dublin," says Mr Thomas Geoghegan, the chairman of the Community Council.

"We have to fight for everything. We had to fight for a bit of tar for the road so that the doctor when he comes doesn't fall into a pothole. We had the water for a time but then the tides broke the pipe and it's never been replaced."

The islanders are convinced that, with proper access to the mainland, tourists would come in and new life would be breathed into the place. Someone might even decide to open a small factory or business on the island.

The only activity now is the fattening of a few cattle and cutting turf from the bog. Winkle gathering, a traditional activity, is threatened by pollution from a nearby power station.

Fr Tuffy feels something has to be done or Inishbiggle, like so many other Irish islands, will go into terminal decline.

"When those two kids finish then the school will close. Sons and daughters away in England might dream of coming back. But with no school there is not much incentive."

Inishbiggle is a bit of a dream. It has a desolate beauty hard to find in a busy world. For a day or week it might seem idyllic. But with no children, no shop, no pub, it might also seem very lonely.

Romanian Front makes some room for the opposition

By Judy Dempsey and Nicholas Denton in Bucharest

ROMANIA'S National Salvation Front, formed during the December uprising, will tomorrow begin to share control of the country with the newly-formed Council for National Unity.

The CNU, which will be a broadly-based "transitional parliament" consisting of at least 30 parties, will attempt to maintain stability and some degree of consensus as all the parties prepare for free elections on May 20, the first in more than four decades.

The 180-strong CNU will be empowered to legislate in several areas and is expected to maintain a close watch on the Government, which remains very much under the direct control of the National Salvation Front.

The Front will now be divided into two groups: a political wing with three representatives on the Council of National Unity, and a 90-member supposedly non-political movement consisting of workers, students and "revolutionaries".

This is likely to perpetuate its influence on the CNU because all the other parties will only have three delegates each; Front supporters will make up the remaining 90 members. The Front's influence will largely depend on its ability to hold all these disparate elements together.

Leading members of the Front yesterday indicated that President Ion Iliescu, one of its founders, will be elected to head the CNU.

The Front is still licking its wounds from a series of blunders in recent weeks which were compounded by political and personality divisions in this very heteregenous movement.

In the meantime, doubts about the future role of some of the Front's prominent members are in question.

It is unclear, for instance, what role Professor Silviu Brucan, described as the "head but not the heart" of the Front, will play. He is the Front's foreign policy expert.

But he resigned at the weekend following what amounted to a smear campaign against his apparently authoritarian style and his Jewish background.

Madrid favourite as 'environment capital'

By Tim Dickson in Brussels

TELL it not in Cambridge or Copenhagen but the smart money on where Europe's new Environment Agency will be based has suddenly switched to Madrid.

Insiders in Brussels now believe the Spanish capital is favourite to host the prestigious institution after a fierce battle in which national pride, the economic value of new jobs and "green" politics are all being invoked.

Even before the Council of Ministers gave its final blessing to the agency in November – the aim is to provide an objective source of comparative data on the environment – EC countries were busy staking out their claims. Britain proposed that Cambridge was the ideal site; the Danes produced glossy brochures to promote Copenhagen; and the French said it was all their idea in the first place so why not put it in Strasbourg?

The decision – which has not been taken and is a matter for member states rather than the European Commission – may yet form part of a wider package of institutional "goodies". The wrangle over the site of the new European Trade Mark office, for example, has still not been settled; the Training Foundation for Eastern Europe has not yet been formally conferred on Berlin (though it probably will be); and there is much talk in Brussels of setting up a new EC pharmaceutical licensing body to build greater confidence in the internal market.

There are those who also believe the EC will host the new European Bank for Reconstruction, even though this is a matter for the Group of 24, while others with even greater imagination look forward to the birth of the European Central Bank.

One theory doing the rounds is that some or all of these jigsaw pieces could be used to prise the European Parliament away from Strasbourg. The campaign to bring the assembly to Brussels, where committee meetings are already held and where buildings under construction just happen to be big enough for the parliament's plenary sessions as well, has been gaining momentum. Many now see victory as not only inevitable but an essential precondition for greater efficiency and speed in EC decision-making.

While no one admits it officially, Paris certainly has its price but the two new institutions which would probably be required for Strasbourg to relinquish its hold on the MEPs would leave little in the way of bargaining chips for everyone else.

The latest idea of a rather less ambitious "package" as a result of which Madrid emerges with the main prize rests on plausible argument. Viewed from Brussels, Spain is considered one of the "dirtier" countries of the Community, prone more than most to putting regional development ambitions ahead of the EC's environmental priorities. Handing over the Environment Agency not only assuages Spanish and Mediterranean pride, it can also be "sold" as latter day Trojan Horse.

Such a solution also defuses tensions over the EC Trade Mark Office which was at one point promised to Madrid but is now pursued by the Luxembourg Government.

Paris sends Loire plans back to drawing-board

By George Graham in Paris

FRENCH environmentalists yesterday claimed an important victory as the Government decided to reconsider a dam-building programme on the river Loire and its tributaries.

Mr Brice Lalonde, Minister for the Environment, yesterday ordered the plans, which involve the construction of four new dams and miles of embankments, to be re-examined with more of an eye to their ecological consequences. The debate has aroused fierce passions, with environmentalists at loggerheads with local politicians. The decision had to be passed up to Mr Michel Rocard, the Prime Minister.

The FFr2.3bn (£239m) Loire programme was drawn up in 1986 by a consortium of local and regional authorities from the river's 115,000 sq km basin, which covers one fifth of the surface of France. It aimed both to curb the Loire's notorious spates and to ensure drinking water supplies.

Environmentalists throughout Europe have united to oppose the plans, rallying to the defence of one of the continent's last untamed rivers. The Loire was France's main highway in the Middle Ages but flash floods and sandbanks contributed to its economic decline and it and its tributaries escaped much of the canalisation that overtook its rivals in the 19th century.

"There is a lot of nostalgia about this non-development of the Loire, but the way to design the future of a river in 1990 is not to reproduce the designs of the 19th century," said Ms Christine Jean, one of the leaders of the protest against the dam programme.

The Government will now study two alternative solutions for the most hotly contested dam, at Serre-de-la-Fare in the upper reaches of the Loire, which would have flooded 14km of rugged and unspoilt gorges. Opponents of the dam have been occupying the site for a year.

OVERSEAS NEWS

Coin fakers profit from Japanese jubilee

By Ian Rodger in Tokyo

JAPANESE police plan to send investigators to Britain and Switzerland to try to discover the source of counterfeit gold coins with a face value of over $70m that have been flowing into the country for nearly two years.

Police confirmed yesterday that some 103,000 gold coins, copying a Y100,000 (£406) Japanese coin minted in 1986 commemorating the diamond jubilee of the late Emperor Hirohito, were imported by three Tokyo dealers between March 1988 and last month.

There are two series of the fake coins, both of which are believed to come from Switzerland. The copying is said to be very good and, in one case, the imperfections cannot be seen by the naked eye.

Also, the coins contain the correct quantity of gold, 20 grams, which is probably the main reason they went undetected for so long. Even the Bank of Japan has accepted them as bona fide.

A British coin dealer, Mr Paul Davis, who exported some of the fake Hirohito coins to Japan last month, has come to Japan voluntarily and is being questioned by police. Both Mr Davis and the Japanese dealers to whom he sold the coins say they believed they were bona fide.

The attraction of commemorative coins to the counterfeiter lies in the difference between the face value of the coin and the value of the gold in it. In the case of the Hirohito coin, the 20 grams of gold are today worth Y40,000 compared to the coin's face value of Y100,000.

A significant volume of the real Hirohito coins moved into international trade soon after their issue, as speculators found them a handy way of playing the foreign exchange market.

When the yen was high, they could be used as a hedge against the decline of the dollar. According to the Ministry of Finance, only 30,000 to 40,000 of the coins were sold overseas, but many more are thought to have been exported through dealers.

Last year, an increase in the inflow of coins back into Japan began to be noticed but dealers initially thought this was just a consequence of the weakening of the yen. However, coin experts began to get suspicious as the flow intensified.

The 103,000 fake coins were bought by three Tokyo dealers, Dharma, RimPac Gold and Taisei Stamp and Coin. Of these, it is thought that only a small number, 7,000, were bought by RimPac from Mr Davis. The rest came from a dealer in Switzerland, according to the police.

A Ministry of Finance official said yesterday that the ministry would go ahead with its plans to mint a Y100,000 coin to commemorate the enthronement of Emperor Akihito later this year. However, it would take additional steps to prevent counterfeiting.

Jesse Jackson on his arrival yesterday with Walter Sisulu

Jackson in South Africa with a soothing message

US civil rights campaigner the Reverend Jesse Jackson arrived in South Africa yesterday with a conciliatory message designed to soothe the anger he has provoked from the white-led Pretoria Government, Reuter reports from Johannesburg.

"Let's talk, let's build bridges," Mr Jackson told a news conference at Johannesburg's Jan Smuts airport, where tight security was in force following the threat from an extreme right-wing group, the Afrikaner Resistance Movement, to take action against his tour.

He said he hoped to meet as broad a range of South Africans as possible on his week-long visit, but reaffirmed his long-standing commitment to sanctions.

"The fact is that sanctions as a lever, a non-violent lever, a stimulus for negotiations, must be seen as a viable, non-violent alternative to bloodshed," he said.

"We want all sanctions to end. Sanctions and apartheid are two sides of the same coin. And both should go at the same time," he added.

Pretoria allowed Mr Jackson to visit South Africa for the first time since 1979 on the invitation of anti-apartheid church leaders and former political prisoner Mr Walter Sisulu. A similar request was turned down in 1988.

Mr Jackson said last Friday's decision to unban the African National Congress (ANC) and other opposition groups and free some political prisoners, including Mr Nelson Mandela should be met with a mixture of hope and caution.

US capital likely to shun S Africa as Tokyo preaches restraint

As the political implications of the watershed speech by South African President F.W. de Klerk last Friday continue to be debated, Financial Times writers consider the possible consequences on corporate strategy and possible changes in investment policy

NEW YORK

US CAPITAL will keep flowing out of South Africa until the last vestiges of apartheid are eradicated, American business leaders and lobbyists said, Roderick Oram reports. Measures announced by the de Klerk Government last week are seen as only a first step. It needs to do much more before US laws severely restricting new US investment in the country are lifted.

Many US companies which withdrew from South Africa during the 1980s say it is far too soon to return even if US law allowed it. General Motors, for example, says it had no plans to reinvest in the country.

But even many of these corporations are likely to continue under attack from lobby groups which say they have retained strong ties with the country. About half the departing companies license South African companies to sell or make their products.

Moves such as last week's lifting of the ban on the African National Congress "provide a strong argument for increasing sanctions and pressure for disinvestment," says Ms Donna Katzin of the Interfaith Centre for Corporate Responsibility.

The centre plans to keep up its shareholder pressure on corporations "until there is basic and fundamental change in South Africa." For example, at more than 100 company annual meetings this spring it will propose shareholder resolutions to stop dealing with South Africa.

"I'm still urging disinvestment until I see an actualisation of the promises that seem to have been made," said the Rev Leon Sullivan, a black Baptist minister whose 13-year-old Sullivan Principles on US investment in South Africa helped trigger the wholesale withdrawal of US capital in the 1980s.

S AFRICA'S TRADE WITH REST OF THE WORLD (US$m)

	1985	1986	1987	1988
EXPORTS				
US	1,374	1,985	1,272	1,445
Japan	1,279	1,828	2,214	1,777
UK	969	1,058	976	1,304
France	275	343	530	638
Germany	567	1,059	1,135	1,570
IMPORTS*				
US	1,429	1,229	1,281	1,691
Japan	1,028	1,270	1,882	2,047
UK	1,258	1,279	1,558	1,911
France	482	412	467	575
Germany	1,729	1,951	2,548	3,332

*fob
IMF Direction of Trade Statistics Yearbook 1989

The exodus swelled from seven companies in 1984 to a peak of 56 in 1987 before falling back to 18 last year. In total 176 US companies have left over the past five years.

More than 120 still remain fully active in South Africa, according to the Investor Responsibility Research Centre in Washington. Caltex Petroleum is the largest with 2,056 employees followed by International Paper with 1,966 and Johnson & Johnson, the drug group, with 1,451. Other big names include United Technologies, Caterpillar and Minnesota Mining and Manufacturing.

"We believe our position there is a positive one for social justice," says Mr Bill Lane, an international government affairs specialist at Caterpillar. It has a parts warehouse there serving southern Africa and exports to the country create some 650 jobs in the US. At its last annual meeting 12 per cent of its shareholders voted for withdrawal.

There is little chance legal restraints on US companies will be lifted "as long as key friends in Congress maintain their strong position," said Mr Richard Knight, a research associate of the American Committee on Africa, the oldest anti-apartheid lobby group in the US.

"People here understand you have to look beyond the changes announced so far. The bottom-line is universal suffrage in a unitary state."

TOKYO

THE Japanese Government, embarrassed in the past by the country's highly-publicised commercial ties with South Africa, has indicated to Japanese companies that Pretoria's announcement of reforms should not herald direct investment or an increase in trade, Robert Thomson reports.

Although individual Japanese companies were reluctant to comment on possible changes in strategy, a senior Japanese Foreign Ministry official said the government and corporate position on South Africa should not change until after the release of Mr Nelson Mandela, the jailed leader of the African National Congress, and "some other improvements on the segregation policy occur."

Japanese exports to South Africa, which, on a monthly average, fell by 16 per cent last year on a customs-clearance basis, rose 17.9 per cent in December compared to the same month in 1988, according to Ministry of Finance figures.

Japan became South Africa's largest trading partner in 1987, with bilateral volume, totalling $4.27bn, prompting Tokyo to urge restraint and encouraging some companies to find third country routes for products. Trade with South Africa fell by 4 per cent in 1988, putting Japan behind West Germany in bilateral volume.

In early 1988, the Keidanren, the Federation of Economic Organisations, urged member companies to restrain trade with South Africa after the increasing volume had been condemned in the US.

The Keidanren has also emphasised that Japanese companies have honoured a ban on direct investment, while bans remain on direct flights to Japan by South African Airways and the use of the airline by Japanese government employees, and South African tourists are refused entry visas to Japan.

Mr Jerry Matsila, the African National Congress representative in Japan, said that companies will be tempted to upgrade commercial ties because controls were imposed "only after international criticism."

The ANC estimates that Japanese brands comprise 62 per cent of the car market in South Africa and take 64 per cent of of the car components market. Mr Matsila said that Japan's direct imports of needed raw materials from South Africa have fallen but imports via third countries have risen by a similar percentage.

Mr Matsila wants Japan to impose even tougher commercial sanctions, an action that he said would ensure Tokyo a leading role in the construction of a new South Africa.

This is the first in a two-part series. Tomorrow reactions from Britain, Germany and France will be published.

Kenya gets cold feet on skyscraper project

By Julian Ozanne in Nairobi

THE Kenyan Government has backed down on its plans to build black Africa's tallest skyscraper under pressure from international donors concerned at the country's mounting external debt.

Mr Charles Mbinyo, Permanent Secretary in the Ministry of Finance, pre-empted criticism of the grandiose scheme at a recent donors conference in London by announcing that the government had decided to review the controversial $198m 60-storey tower block project.

The scheme would be subject to further feasibility studies and would only go ahead on a phase-by-phase basis if it was compatible with Kenya's macro-economic policy and in consultation with the country's donors. The first phase would be a hotel and 5,000 seat conference centre and would exclude the tower.

The London meeting was called under the auspices of the World Bank to discuss Kenya's macro-economic policy framework. Before the meeting, donors had expressed strong criticism of the government raising non-concessional external debt for projects worth more than $400m.

These include a $120m extension of the Mombasa-Nairobi oil pipeline, $150m for a new sugar project as well as aircraft spares and a new Fokker 27 for Kenya Airways.

International donors, particularly the Japanese, UK, US and Nordics were concerned these projects, especially the skyscraper, would push Kenya's debt service ratio up several percentage points above the current level of 34-36 per cent and derail the tight structural adjustment programme.

Donors also felt the new commitments breached an understanding with the International Monetary Fund that the government would limit its non-concessional external debts to $100m.

Taiwan old guard under pressure to quit

By Peter Wickenden in Taipei

TAIWAN'S parliament is bracing itself for more trouble tomorrow when newly elected opposition members are expected to attempt to disrupt swearing in ceremonies with calls for full democracy. Violent scuffles broke out last week between legislators when they registered for a new session.

The opposition Democratic Progressive Party gained 20 per cent of the seats contested in general elections last December. When the session formally opens on February 23 it is expected to pose a serious challenge to the ruling Kuomintang Party, normally accustomed to steamrollering bills through Parliament.

The new session is likely to be even more stormy than the last. When the DPP had only 12 per cent of contested seats debates were frequently held up as opposition legislators threw furniture, ripped out microphones, brawled on the floor and hurled abuse at MPs in front of television cameras.

Decrepit members of the KMT who have held parliamentary seats unchallenged for more than 40 years were prevented fom entering parliament last week by a wall of jeering DPP legislators and one independent.

To justify claims to be the legitimate government of the whole of China, the KMT has frozen in office dozens of legislators who were elected on the mainland in 1948. With an average age of 80, they have no mandate either from their original constituencies, some of which no longer exist, or from the people of Taiwan. Realising that they have now become a political liability, the KMT itself has been urging its elderly representatives to retire and has been offering large pensions, but they have proved surprisingly stubborn. The DPP objects to the use of financial incentives to make the elders step down, saying taxpayers' money should not be used to buy democracy.

After several so-called "supplementary elections" to make up for natural attrition, the old guard now holds 153 seats in the 283 seat Parliament, or 54 per cent. Taiwan-elected legislators from the KMT, the DPP and other parties now hold 121 seats, while representatives of overseas Chinese communities, appointed by the President hold 29 seats.

The DPP itself has 21 seats, still a small percentage of the total but one more than is needed to introduce legislation. In last week's protest, the DPP told the old die-hards to go back to the mainland and demanded that representation for overseas Chinese communities be abolished.

Liu Kuo Tsai, the mainland-elected leader of Parliament, announced last week that he was resigning. His decision brought praise from Taiwan-elected members of both the KMT and DPP. They called on other mainlanders to follow his example and step down to make way for a rejuvenated and wholly democratic parliament.

The KMT announced yesterday it had nominated deputy speaker Liang Su Jung to take Liu's place. For the first time since 1948 a Taiwan elected legislator will hold the post of deputy speaker.

Karachi strike violence leaves 35 dead, 110 hurt

SECURITY forces and anti-government protesters fought gun battles in Karachi yesterday, killing 35 people and injuring 110, Reuter reports from Karachi. Police said they had arrested about 300 people as a general strike paralysed Pakistan's biggest city.

"It was the worst strike in Pakistan's history," a police official said. Authorities clamped a curfew on large areas of Karachi.

The Mohajir National Movement (MQM), a political party of refugees from India, ordered the strike in the city, capital of Pakistan's southern Sind province, after the expiry of a deadline it set for the release of 80 kidnapped supporters. The MQM says the 80 were abducted by members of the ruling Pakistan People's Party.

Troops, paramilitary forces and police fought battles with activists of the MQM which called the strike, accusing Prime Minister Benazir Bhutto's Government of repressive policies.

Protesters set fire to bank buildings, vehicles, shops, houses and two offices of Bhutto's PPP, witnesses said.

The strike closed the stock exchange and all shopping centres. There was no loading or unloading at Karachi port and the airport was badly hit by a low turnout of staff. Local train services were suspended.

The MQM and the PPP have been at loggerheads since last October when the MQM split with Ms Bhutto and joined an opposition attempt to unseat the Prime Minister in a parliamentary no-confidence vote.

Zimbabwe state sector slammed

AN independent report issued yesterday slammed Zimbabwe's fast-growing state sector for inefficiency and blamed government delays for many of its weaknesses, Reuter writes from Harare.

The Committee of Inquiry into the Administration of Parastatals was set up by President Robert Mugabe in 1986 and led by Justice L.G. Smith, a High Court judge.

Its final report on the state sector, which has expanded fast since independence in 1980, was written a year ago but has only just been released.

It recommended that two parastatals, as state-controlled companies are known here, be shut completely and that others be merged or streamlined. Its terms of reference did not cover a possible transfer to the private sector.

HK professionals reach for their bags

John Elliott explains why there is growing despondency in the British colony

ABOUT 90 per cent of Hong Kong chartered secretaries responding to a professional survey want to leave the colony before it returns to Chinese sovereignty in 1997. Nearly 80 per cent of them have set 1995 as their deadline.

Last month it was the chartered surveyors and before that accountants, nurses and professional managers who were shown in surveys to be similarly anxious to leave. Not all of them of course will be able to do so, and the surveys' findings are not entirely representative because less motivated people often do not bother to fill in the questionnaires.

But the results do nevertheless graphically illustrate growing despondency about the future as China continues its stream of verbal attacks on Hong Kong in the wake of last June's crisis in Peking.

Local ethnic Chinese businessmen and professionals are hedging their bets against the future, not only by seeking foreign passports, but also by moving the domicile of many of their companies abroad and, it is assumed, shifting a lot of their private wealth also. Even the local stock market failed last month to perform its seasonal rally in advance of the January 26-29 Chinese New Year holiday.

"We are suffering from the instability of rhetoric," says Mr John Mulcahy, research director of Peregrine Brokerage.

He was commenting on what another broker says is currently "the dullest stockmarket in the world." But the impact of China's war of words is wider as Peking continues to attack Hong Kong people's wish for more democracy, for guaranteed human rights and for the insurance of foreign passports.

This week the tone has changed slightly – and the stock market has responded by rising. The first calming words came from Mr Zhou Nan, China's former vice foreign minister who arrived in Hong Kong on Monday to head the Xinhua News Agency, Peking's de facto embassy.

Regarded as a smooth talking hardliner, he promised to work for Hong Kong's "stability and prosperity" and for an improvement in soured Sino-British relations.

Then in Peking on Tuesday Mr Li Peng, the hard-line Chinese Prime Minister, told Lord Sharp, president of the Sino-British Trade Council and chairman of Cable and Wireless, that China's modernisation needed Hong Kong to remain a regional centre of finance, trade, and transport.

But he ominously added that the "support of the mainland" was "inseparable" from maintenance of Hong Kong's prosperity.

No-one in Hong Kong has any doubt about this implied political and economic supremacy of Peking, even though 1997 is still seven years away.

This reality will be proved once again next week at the final plenary session in Peking of the drafting committee which is preparing the Basic Law, Hong Kong's post-1997 mini-constitution.

Attention will be focused on plans for direct elections to the territory's legislature which Peking wants to develop far more slowly than is acceptable to most local interest groups.

Month-long negotiations between China and the UK on this subject have so far failed to produce a compromise and the week's drafting sessions could further damage fragile confidence and depress the local stock market which accurately reflects local gloom.

Research by the Smith New Court brokerage shows that in the past 19 years the Hang Seng index has risen by an average of about 9.5 per cent in the 20 days before the Chinese New Year holiday. This year it dropped 2.5 per cent on low turnovers, demonstrating the general lack of confidence during a month when there was continuing friction with Peking.

Foreign investors have been staying away because of the political risks, preferring other markets, especially Singapore and Malaysia, and local investors have tended to sell rather than buy.

They have been influenced by a slowdown in economic growth to around 3 per cent a year and by other significant indicators which have also been pointing to reduced activity, mainly because of China's problems.

Tourist arrivals for example fell by about 13 per cent in the second half of last year.

In the past week however the market has recovered, with the index rising from a low of 2,698 last Friday to 2,845 yesterday. But brokers do not now expect it to go much further, even though Hong Kong's stocks are dramatically under-priced.

The market is trading at a discount of just under 60 per cent to other regional markets with an overall p/e ratio of share price to underlying profits of eight to one compared with an average of 18.5 in Singapore, Malaysia, the Philippines and Thailand.

Reflecting the uncertainty, the number of companies moving their legal domicile out of Hong Kong in order to make it easier to escape in the future, has risen sharply. Most go to Bermuda.

The trend was started in 1984 by Jardine Matheson, the colony's most distinguished "hong" trading company. A subsequent trickle turned into a flood last year and at least 90 quoted companies – 30 per cent of the total 296 listed in Hong Kong – have now moved or are in the process of doing so.

Less well-known is the fact that as many as 150 more unlisted companies, including several large concerns which handle the personal wealth of major tycoons, have also gone quietly to Bermuda and elsewhere.

"People are watching to see whether companies now move on to the next step of seeking secondary listings in other stock exchanges to protect themselves against problems in Hong Kong," says Mr Hamish MacPherson, local director of the Bermuda-based Bank of Butterfield which handles many of the domicile moves.

Few if any businessmen are however closing down their Hong Kong operations.

They still find Hong Kong the easiest place in the world in which to make money and they do not want to destabilise their home base. The trend therefore is to diversify abroad while continuing to make money at home.

There is considerable optimism about an uplift in both economic and stock market activity before the end of this year, with investors moving in on under-priced stocks.

No-one is sure however about what will happen before then. The best hope is that confidence will begin to return once destabilising subjects such as the Basic Law, the British passports package, and a proposed Bill of Rights are settled in the next few months.

ZHOU NAN, China's new de facto ambassador in Hong Kong, last night called for co-operation in maintaining the "prosperity and stability" of the territory which returns to Chinese sovereignty in 1997.

In a fulsome statement at a reception in Hong Kong where he arrived on Monday, Zhou also looked forward to improved relations between Britain and China. This was in the "common interest" of the two countries and would benefit Hong Kong.

Zhou is a professional Chinese diplomat who until recently was a vice foreign minister in Peking. He is widely regarded at home and abroad as a hardliner who will take a tougher line than his predecessor, Xu Jiatun, a moderate who has retired.

He was speaking at a Chinese New Year reception for 4,000 people thrown amid tight security by the Xinhua News Agency, which he now heads in Hong Kong. Sir David Wilson, the governor, who had a one-hour meeting with him earlier in the day, broke tradition by attending the reception. He publicly toasted Xu and Zhou but did not speak.

British diplomats and officials will now be watching closely to see whether Zhou takes an unbending tough line with Hong Kong stressing, as he did last night along with soothing statements, that China's politics and policies will not change.

AMERICAN NEWS

Better green than better off, say most Americans

By Alan Friedman in Houston

THE American public favours government spending on the environment, even if that results in slower economic growth, according to a survey released yesterday by Cambridge Energy Research Associates (CERA), international energy consultants.

It shows that, if forced to choose between the environment and the economy, 74 per cent of Americans would accept slower growth.

Dr Daniel Yergin, president of CERA, said this showed that "the environmental consensus will be a major factor in the future American political and business landscape". The study also notes that, while 70 per cent of the US public would favour stronger fuel efficiency standards for vehicles to reduce air pollution, 66 per cent oppose a 50 cents-a-gallon tax on petrol.

The survey was released at a two-day conference in Houston dominated by concern by top executives and analysts over the urgency of energy-related environmental problems.

It follows a speech on global warming this week by President Bush. The speech caused controversy because it was apparently watered down by Mr John Sununu, the White House chief of staff. Mr William Reilly, head of the Environmental Protection Agency, was said by friends to be so angered by the half-hearted speech that he considered resigning.

Yesterday Mr Elliot Richardson, a veteran of several Republican cabinets, proposed in a New York Times article an international conference to establish a multilateral institution to deal with global warming.

In Houston, Mr John Pierce Ferriter, deputy executive director of the Paris-based International Energy Agency, said more needed to be done by the US Government "to realise the potential for energy efficiencies". He cited both a petrol tax and more stringent emission and fuel efficiency standards for cars as examples.

Mr Chip Bupp, a CERA director who co-ordinated the national poll, said it showed "a rising tide of evidence that the public is alarmed about the environment". Mr Bupp, like others at the Houston conference, said environmental issues may prove expensive for the energy industry in the 1990s.

In recent weeks most major US oil and gas companies, led by Exxon and Texaco, have made unprecedented provisions in their 1989 balance sheets for environmental clean-up costs.

Austral in renewed slump against dollar

By Gary Mead in Buenos Aires

THE ARGENTINE currency slumped even further against the US dollar yesterday, dropping to 3,000 australs to $1, from 2,500 on Tuesday.

The government has decided to issue an additional $1.5bn worth of Treasury bonds in the Bonex '89 series.

These bonds – denominated in dollars with a maturity of 10 years – were used at the start of this year to remove billions of australs from Argentina's volatile financial markets.

Deposits of more than 1m australs were frozen by the government and savers are to receive Bonex '89 paper instead.

However, the paper's market value has plummeted in a month to less than 30 per cent of nominal value.

A saver who had held 10m australs on short-term deposit in a bank now finds these savings, in Bonex, worth 4.35m australs.

In dollar terms, the savings have collapsed from $5,128 to a current value of $1,747.

IMF officials, now in Argentina, said the fund continues to support the Menem administration's policies, although a decision will be made in Washington in a few weeks as to whether Argentina will have to sign a new letter of intent in order to receive the second and further tranches of a stand-by loan worth $1.4bn, agreed last November.

● Mr George Foulkes MP, part of a British delegation hosted by British Airways to mark the resumption of flights to Argentina, yesterday met President Carlos Menem.

Mr Foulkes, a member of the South Atlantic council, held a private meeting with President Menem. According to diplomatic sources from both countries, it appears almost certain that next week's bi-lateral talks in Madrid will result in the the announcement of the resumption of full diplomatic relations.

Polls, pistols and the PRI

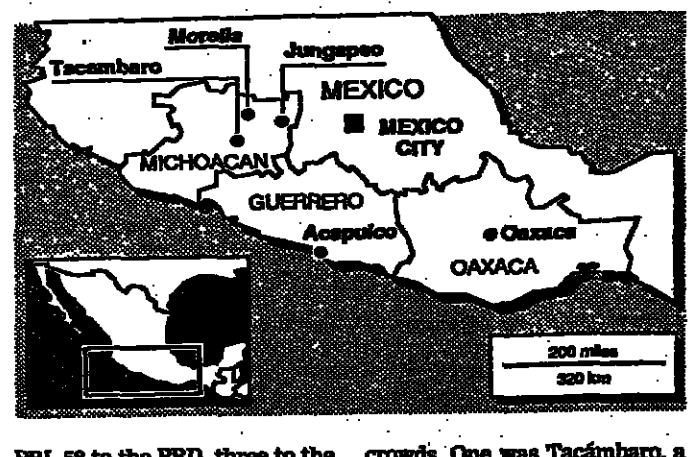
Richard Johns looks at the Mexican badlands

LIFE seems peaceable enough in Morelia, the beautiful capital of the state of Michoacan in the central highlands of Mexico, a city of fine Spanish colonial buildings and the University of San Nicolás, oldest seat of higher education in the Americas.

But Michoacan and the neighbouring state of Guerrero have been thrown into turmoil by disputes over the municipal elections last December.

Local government is in near-chaos and law and order have all but broken down.

Town halls have been occupied by enraged supporters of the centre-left opposition PRD party and there has been a rash of killings of party activists, for which no one has been arrested or charged.



Michoacan is the home state of Mr Cuahtémoc Cárdenas, leader of the PRD and a popular governor until his defection from the PRI.

Serious questions have been raised about the commitment of the ruling PRI party to clean elections and plural democracy, about the extent to which the behaviour of thugs linked to the PRI is condoned by the central leaders, and the control which they can exercise over diehards anxious to retain their privileges.

Mr Samuel Maldanado took office in Morelia on January 1 as the first mayor of a Mexican state capital, and the city seems unruffled by a smooth transition of power.

Given his clear margin of victory, the PRI could hardly create a dispute or use its control of the electoral sytem to deny him the prize. Yet, elsewhere in the state, the contest is far from over.

The PRD is convinced that it had a clear majority in the state as a whole. The party felt that it had been badly robbed by fraud in state legislature elections last July, when it reckoned it had gained 12 of the directly elected seats, but was only awarded four.

Its claims then may have been exaggerated, but Mr Hernan Tenan Orosco, state leader of the PAN says that it has documentary evidence showing the PRD was defrauded of three seats.

The December municipal elections were regarded by most observers as cleaner than the legislative election. The State Electoral Commission finally awarded 56 of the 113 municipalities at stake to the PRI, 52 to the PRD, three to the conservative PAN party, and one to the Authentic Party of the Mexican Revolution (PARM) with the poll for one district annulled.

With the PRD claiming to have won 62 municipalities, its supporters have occupied town halls in 30 municipalities and set up "parallel" governments in 21.

The response has been a wave of violence. Since the poll two months ago, 11 PRD activists have been shot dead – six by the police and five by pistoleros (plain-clothes gunmen).

The violence has spilled into the neighbouring state of Guerrero, where state legislature and muncipal elections took place on the same day as those in Michoacan, and where 20 town halls are in contention.

This is in the wild west of Mexico – the badlands of bandit country. The situation is said by the PRD to be more tense, not least because of what it regards as the confrontational line of Governor José Francisco Ruiz Massieu, who has close ties with President Carlos Salinas de Gortari.

In Jungapeo, Michoacan, the PRD-occupied town halls are guarded round the clock by peasants wearing straw sombreros in an uneasy confrontation with 30 federal police.

Mr Sabrino Corina, "official mayor," has set up headquarters in the kitchen of his house.

After the killing of two PRD people on January 19 by gunmen – two local PRI bosses are said to have offered 10m pesos ($3,745) a head to killers of PRD leaders – a truce was called. But no administration to speak of exists.

In several towns PRI mayors fled in the face of angry crowds. One was Tacámbaro, a rural centre in the wooded mountains of Michoacan, which has prospered by the cultivation of avocados, sugar cane and fruit – as well as marijuana.

When confronted by an angry crowd, Mr Jaime Mora, an unpopular choice of candidate in the PRI, is said to have made his escape over housetops.

Then, the PRD, the PRI and the PAN formed a civic committee to administer the town, but their request for recognition has been rejected by the PRI's governor.

The PDR believes that the paramilitary group Antorcha Campesina (Peasant Torch) has been involved in the killings. It is affiliated to the PRI and is said by Western diplomats to have high-level links in the party, which has used it to repress dissidence.

On January 29, a PRD delegation gave Mr Fernando Gutierrez Barrios, Interior Minister, a detailed list of PRD activists – 25 detained without reason given, 16 wounded and eight disappeared since the July 1988 presidential election.

After the meeting Mr Gutierrez announced that a PRI-PRD commission would be set up under his ministry's auspices to investigate the allegations and report within 10 days. The federal government had been doing little to re-establish order.

But the PRD announced two days later that it would not take part in the investigation because of Governor Ruiz's threat to take legal action against the PRD and his allegations of the party's involvement in drug trafficking. The deadlock is still unbroken.

No cheers for defence cuts in Monterey

Louise Kehoe tests the reaction in San Francisco to President Bush's base closures

PRESIDENT George Bush may be rating highly on US national opinion polls, but his administration's plan to close military bases is far from popular on the streets of Monterey and Alameda in Northern California.

The region could be especially hard hit by the military spending cuts, with six military bases in Northern California slated for closure out of a total of 43 throughout the US.

Residents and elected officials are assessing the impact of the potential loss of as many as 36,000 military personnel and 17,000 civilian jobs on the bases as well as the ripple effects on businesses and the social infrastructure such as schools and house prices.

Included on the list of military facilities to be closed is Fort Ord, a 30,000-acre Army base on the sand dunes of the Pacific coast 10 miles north of Monterey. Fort Ord is where thousands of recruits undergo basic training. It is also home to the Seventh Infantry Division, an elite rapid-deployment unit that recently played a leading role in the Panama invasion.

Closure of the base would have a "devastating impact on the Monterey Peninsula," according to Mr Dan Albert, Monterey's Mayor, "socially, culturally and economically." It would mean a loss of $800m to $1bn a year, or 20 per cent of the Monterey County economy, officials have calculated.

"We have been married to the military since the late 1930s when the base opened. Our economy is based upon tourism and the military. The closure would knock out one of those legs," Mr Albert said.

As an example of the wide ranging effects, Mr Albert said that Monterey Unified School District expects to loose about one third of its budget if the base closes. "People here don't realise yet what an impact this could have. It is not just the soldiers going away."

Fort Ord employs 15,129 military personnel and about 5,000 civilians. It has an annual payroll of $610m, an Army spokesman said.

Among those directly effected would be landlords who rent thousands of flats to military families in the town of Marina, close to the base. "It will have a drastic impact," said Mr George Takahashi, Marina's Mayor. About a third of the town's 30,000 residents (includes military and civilian) work at the base. "It would be a very quiet town without the soldiers, that's for sure," he added.

Soldiers based at Ford Ord would be transferred to Fort Lewis in Washington State, military officials said.

"We all accept that there is a need for cutbacks but this is not a cutback, it is a transfer," said Mr Albert. "It is difficult to understand."

Democratic congressmen have charged that the administration's base closures are politically biased because most of the bases on the list are in Democratically controlled congressional districts.

"President Bush will have to work hard to sell this plan to the people of Monterey," said Mr Albert. "If he can persuade people that this is a real cutback in spending - that it will save taxpayer's dollars, that is one thing. But if people get the sense that this is political, then I think he will meet with a lot of opposition. And the prevailing opinion right now is that it is political."

The picture is also gloomy in Alameda, to the east of San Francisco Bay, where a naval aviation depot is slated for closure and the future of the entire Naval Air Station, which employs over 8,000 military personnel and more than 5,000 civilians is also in question. The Station is home port to five naval vessels, including a nuclear-powered aircraft carrier. It is also a leading facility for repairing and refitting naval aircraft.

Alameda is a navy town. Merchants chart their sales according to the arrival and departure of warships and the Navy pumps millions of dollars a year into the local economy and the school system. "This town might as well roll up the streets if that base closes," one local shopkeeper said.

Across the San Francisco Bay in San Francisco, however, Mr Art Agnos, the Democratic Mayor, said he is not too worried about loosing the navy facility on Treasure Island, a small island midway along the span of the San Francisco-Oakland Bay Bridge.

"The land that these bases occupy offers extraordinary opportunity for economic development," Mr Agnos said. "I think we could make millions and millions of dollars if Treasure Island was turned over to San Francisco."

In cuts approved by Congress last year, San Francisco's historic Presidio Army base, at the foot of the Golden Gate Bridge, is already slated for closure.

The proposed closure of Moffet Field Naval Air Base, which sits in the midst of the industrial and office parks of Silicon Valley, also has been greeted with equanimity.

Military planes landing at the base pass just feet above the traffic on the main freeway linking San Francisco to San Jose, causing many a driver to look anxiously upward.

Of the 500 civilians employed at the base, most should have little difficulty finding jobs at nearby electronics companies, local officials said.

In other parts of California, the naval shipyard at Long Beach and the Naval Air Facility at El Centro are proposed for closure.

WORLD TRADE NEWS

Farm trade row hits talks on export credits

By Peter Montagnon, World Trade Editor

PROGRESS towards a new international agreement on rules governing subsidised export credits is being halted by a dispute between the US and Europe on farm credits.

The EC insists it will not discuss reforms to reduce tied-aid and and other general subsidies on export credits until the US agrees to put its farm export credits on the table. So far these have not been subject to the general export credit rules of the Organisation for Economic Co-operation and Development (OECD).

The US replied it believes farm credits should be discussed, not in the context of export credits but in the Uruguay Round of the General Agreement on Tariffs and Trade (Gatt) where broader farm reforms are on the agenda. Thus, little progress has been made on the export credit reform under discussion in the OECD. A report on the talks is scheduled for May.

When talks began last autumn, the US said it was looking for a quick resolution because of its concern that several countries were continuing to "buy" export success by mixing aid with conventional export credits. Negotiators wanted a far-reaching package, combining new disciplines in mixed credits with the elimination of routine interest rate subsidies on credits to middle income countries. The US wanted to subject export credits for steel plants to special restrictions, arguing that steel is already a commodity in over-supply on world markets. This prompted Europe to demand that US Commodity Credits be brought into the talks.

The US is now in a bind since it has been urging abolition of farm export subsidies in the framework of the Gatt and cannot contradict this position in the OECD. It also cannot agree to the European request without losing leverage in the other parts of the export credit talks.

Export credit officials say they hope that by the time of the next meeting of the OECD Consensus in April, the US will have agreed to discuss agriculture. They add that there now appears to be little chance of agreement on a complete package before the conclusion of the Uruguay Round at the year's end.

Pizza Hut to open in Moscow

By Andrew Taylor, Construction Correspondent

TAYLOR WOODROW, the British construction group, is to build two fast-food Pizza Hut restaurants in Moscow. The first McDonald's restaurant in the Soviet Union was opened there last month.

European construction companies are increasingly seeking to break into the potentially lucrative Soviet market on the back of western financed projects and joint ventures.

Mr Richard Hopewell, a Russian-speaking construction analyst with Swiss Bank Corporation in London says: "British companies, with a few exceptions, have been slower to break into the Soviet market. Continental companies, particularly Italian and German companies have been more aggressive in pursuing opportunities.

"Cogefar, the largest Italian construction group, has a L189bn contract for a steel pipe mill at Volgograd. Even small Italian contractors like CMB are winning work in the Soviet Union for $21m hospital in eastern Siberia. Dywidag the West German contractor is planning to build a hotel in Moscow in a joint venture with Lufthansa and Aeroflot."

The contract for the Pizza Huts was awarded by a joint venture of Pepsico, the US drinks concern which owns the Pizza Hut business and Morestoranservise, a Moscow restaurant concern established to attract western partners.

Taylor Woodrow says specialist sub-contractors from the UK and western Europe will be used for the contract. These may either import labour or hire Russian workers depending on the work involved. The two restaurants, which open later this year, are expected to cost more than £3m.

Taylor Woodrow during the past four years has undertaken projects worth about £50m. These have included the modernisation of three clothing factories at Tallinn, Riga and Minsk including the supply of Jaeger fashion designs. It is currently modernising six factories for the Soviet artificial fur fabric trade.

UK group to sell sports cars to Japan

By John Griffiths

GINETTA, a small UK company which has been making specialist sports and racing cars since 1958, yesterday signed a three-year agreement to export cars to Japan.

The £2.25m deal involves the Scunthorpe company supplying at least 30 cars a year over the next three years to the Japanese importing company, Wary House, based at Mina-to-Ku, near Tokyo.

The company said that if the cars sold as well as hoped supplies could be doubled.

The agreement appears to be a minor coup for one of the smaller, but longest-surviving, independent companies in Britain's dwindling specialist car-making sector.

Indeed, it attracted sufficient interest for Sir James Cleminson, chairman of the British Overseas Trade Board, to travel to Scunthorpe to welcome the Japanese delegates to yesterday's signing.

The company, expects to make nearly 300 cars this year. It employs around 30 people, expected to rise to 40 by March.

The design of the cars being shipped to Japan - G4,G12 and G16 models - dates mainly from the 1970s, and Ginetta is basically reintroducing them into production to meet what Wary House sees as increasing Japanese demand for "traditional" European sports cars.

For European markets, Ginetta has begun producing a completely new mid-engined sports car, the G32, of which it expects to make 250 this year. The company is currently setting up a UK dealer network for the new model.

Decree stubs out glamour of Turkish tobacco market

Jim Bodgener on the impact of a *threatened advertising ban*

GRIMY urchins used to scamper through Istanbul's chronic traffic jams touting shiny, red handfuls of black-market Marlboro cigarettes before the free-market era of the 1980s.

Since then foreign brands have made large inroads among Turkish smokers, following the ending in 1984 of the monopoly held by Tekel, the state tobacco and alcohol enterprise. Today, 20 per cent of Turkish smokers buy foreign brands, compared with 3 per cent previously, reflecting a preference for Western blends of Virginia and Burley tobaccos over the blander Turkish leaf.

This trend has stoked the interest of multinational cigarette manufacturers such as Philip Morris, R J Reynolds, and Rothmans in spending upwards of $200m renovating mothballed Tekel plants. But their appetite could be dampened should the Turkish parliament approve a decree banning tobacco advertising and smoking in public places.

The international image of Turks as inveterate nicotine addicts is mistaken. Turkey ranks 20th in the league of cigarette consumption per head, far below neighbouring Greece, for example. The industry is still big business, nevertheless – the with sales of TL3,160bn ($1.3bn) a year.

Support or opposition to the decree cuts across party lines. Opponents include the MP from the ruling Motherland Party from the tobacco growing province of Samsun, Mr Mehmet Akarca. "Samsun is the home of Turkish tobacco," he says. The 40,000 cultivators are the largest interest group in his constituency, and are concerned that the decree could deter foreign and local investment in a planned cigarette plant. Farmers in the Aegean region who have been persuaded to grow Virginia tobacco are also at risk.

Newspapers and their owners oppose the bans, fearing the loss of advertising revenues. Foreign tobacco companies spent about TL45bn on promotion campaigns last year.

The Turkish chapter of the International Advertising Association is fiercely against the ban as a restriction of commercial freedoms.

If advertising is banned, customers will not be informed about the introduction of lighter tobaccos, which might steer them away from high tar brands, adds a cigarette company executive.

Foreign tobacco companies reject claims that lost demand and earnings in other OECD countries led them to step up sales promotions in Turkey – rather, they were attracted by the increase demand in Turkey.

A small Rothmans joint venture in Bitlis, eastern Turkey, has been operating for several years. Talks with multinationals for the purchase and modernisation of disused Tekel factories also started in the mid-1980s, says Mr Ibrahim Cakir, the head of the State Planning Organisation's foreign investment department.

Valuation of the factories is the first hurdle. Since the 1970s, when the government had grandiose visions of Turkey as the cigarette manufacturing Titan of the world, their capacity has far exceeded Turkey's needs and potential exports.

The second is the duty regime for cigarettes and tobacco, divided into a fixed and ad valorem tax. Foreign companies want assurances their brands will be able to compete pricewise with Tekel's cheap products.

Thirdly, there is the threatened advertising ban in all newspapers, television, billboards, cinemas and promotions like car races – the ban would even embrace such cultural activities as the Suleyman the Magnificent exhibition of the US last year, sponsored by Philip Morris. More visibly, it would also efface a familiar figure from the Turkish cultural landscape appealing to the macho pretensions of many Turks – the hard-bitten cowboy, jauntily striding with lasso and saddle slung over one shoulder, and a Marlboro dangling from his lips.

Poles see curtailed role for Comecon

By Christopher Bobinski in Warsaw

POLAND sees a future role for Comecon only in the spheres of transport, energy, communications and in fighting pollution, Mr Marcin Swiecicki, the Foreign Trade Minister, told a parliamentary committee yesterday.

In other fields trade could be conducted on a bilateral basis with prices fixed between individual companies and convertible national currencies replacing the transferable rouble as far as possible.

Poland also wants to ensure that Comecon should not inhibit contacts with other groupings and should ease the switch to market economies in the member countries.

Mr Swiecicki was speaking before next Sunday's meeting in Moscow where each of the ten Comecon member countries is to present its view of the grouping's future. The Poles, the Czechoslovaks and the Hungarians met yesterday in Prague to compare notes on their respective positions. Mr Swiecicki said Comecon should act as a body where members could exchange opinions and advice but in Poland's view should not have the right to sign agreements with other groupings such as the EC. Rather it should be up to each individual member country sign bilateral agreements. Poland for example is interested in associate status to the EC as well as some form of association with EFTA.

Poland wants to keep the annual prime ministers meetings.

Neste in Canadian chemicals venture

Neste, the Finnish state-owned oil and chemicals company, and Petro-Canada, a state oil group, are to build Canada's largest methyltetrabutylene ether plant near Edmonton, writes Enrique Tessieri in Helsinki . The chemical is added to petrol to reduce pollution.

The C$350m (£174.6m) 530,000 tonnes-a-year plant is to be completed at the end of 1991. It will supply western Canadian and US markets. Neste and Petro-Canada will each have a 50 per cent share.

Banana war looms among Caribbean producers

By Canute James in Kingston

A WAR is brewing in the Caribbean over the uncertain market for bananas in the European Community after 1992.

The four Windward Islands of St Lucia, St Vincent, Dominica and Grenada, which provide two-thirds of Britain's bananas, are angry because neighbouring Dominican Republic has reversed a promise not to ship bananas to Europe if it is accepted as a member of the African, Caribbean and Pacific (ACP) group, the developing nations given trade concessions by the EC. The Dominican Republic is preparing to export 106,000 tonnes of the fruit each year. The four islands, and Jamaica, have written to the Dominican Republic government asking for an explanation. Officials say this undertaking had influenced several governments in the region to drop their objections to the Dominican Republic's application for ACP membership.

The Windward Islands' concern over the European market is based on the likely loss of their preferential access after 1992, and their inability to compete on an open market with fruit from more efficient producers, mainly from Latin America.

The Dominican Republic's application to join the ACP group was met by demands from existing members that the country would not make use of the banana, sugar and rum protocols of the Lomé convention.

"The plans by the Dominican Republic were revealed last week when President Jaoquin Balaguer initiated a $2m rehabilitation of the port of Manzanillo, saying it would be used for the export of bananas to Europe. Mr Luis Toral Cordova, the administrative secretary of the presidency, said shipments would begin next month, and that the fruit would be handled by the Fyffes Group of the UK.

Mr Toral said the new project would employ about 800 people. Officials in Santo Domingo, the capital, said there is nothing to prevent the country shipping fruit to Europe outside the banana protocol of the Lomé Convention, and paying duty.

But the Caribbean countries argue that the shipments violate the spirit of the undertakings given. "I am not concerned with them saying that they are going outside the Lome agreement," said Mr James Mitchell, Prime Minister of St Vincent. "I am concerned with the fact that they are entering the market after giving us assurances that they were not going to do so."

The Caribbean banana exporters, who are members of the Caribbean Community, have threatened to oppose the Dominican Republic's application for membership if it goes ahead with the plans to ship bananas to the EC.

The protest notes sent to Santo Domingo say the move to export bananas had led the Caricom members "to assume that the Dominican Republic was no longer interested" in becoming a member of the Community. "They gave us assurances that there would be no such production for export in the Dominican Republic," Mr Mitchell said. "I asked them pointedly for a bankable assurance that they would not interfere with the existing Caribbean banana market in Europe. They said they would not."

The prime minister said there was nothing the other Caribbean producers could do at this stage about the Dominican Republic's plans, adding that it was now clear that the region should have resisted the application to join the ACP. "The market will be flooded and prices will drop," he forecast. "The Dominican Republic has low wage rates and can produce bananas at a lower cost."

UK NEWS

Garasimov: end to quotas

Soviets score victory in tussle over diplomats

By Quentin Peel in Moscow

BRITAIN and the Soviet Union have abandoned the tit-for-tat quotas on diplomats posted to each other's capitals, it was announced yesterday.

The decision represents a considerable victory for the Soviet side, which has faced a strict ceiling of 205 on its staff in London since the expulsion of Soviet diplomats for spying in 1968.

Last May, in delayed retaliation, the Soviet Union imposed a similar ceiling on British embassy staff, Soviet staff at the embassy, and accredited British businessmen and journalists.

Mr Gennady Gerasimov, the Soviet Foreign Ministry spokesman, said that neither side will impose quotas, although both will "voluntarily restrict their own quotas at the present level."

Traders suprised by Bank of England optimism

UK market makers lose £12m on gilts in 1989

By Rachel Johnson

MARKET MAKERS in UK government bonds, or gilts, faced generally difficult operating conditions last year and incurred collective losses of £12m in 1989, the Bank of England says today.

The market-makers had come "close" to breaking even after the "sizeable" £190m loss made between Big Bang in 1986 and 1988.

Three firms withdrew from the gilts market in 1989, and none joined, leaving the market served by 19 market makers, the dual-capacity firms which replaced jobbers and brokers in the Big Bang.

The Bank says the withdrawals have not impaired liquidity, competitiveness, or the overall quality of service for clients. *Indeed, the* "significant improvement" in the financial performance of the market makers has induced some firms not to leave, the Bank says.

The Bank attributes the market's relatively improved profitability to efforts made to tighten up management, budgeting and operations.

In 1989's illiquid market conditions, the Bank says it encouraged traders into the parallel markets - particularly sterling corporate bonds, where issurance totalled over £9bn in 1989, £7.5bn in 1988.

Gilts traders, however, professed surprise at the rosy interpretation the Bank puts on 1989's trading performance. Mr Jamie Warman, head of gilt sales at Baring Sterling Bonds, said he thought a £12m loss was "extremely optimistic."

"No one found last year easy at all. There was a severe lack of liquidity, the market has shrunk fast in the last six months and customer turnover has dwindled away," he said.

The Bank's review of the market, released ahead of today's Quarterly Bulletin for February, says the gilts market continued to shrink, while turnovers had "declined somewhat" to around £4bn a day.

The authorities bought in 9 per cent of outstanding stock in 1989 to neutralise the tightening effects of a large budget surplus. The market was worth £129m at end-1989, compared to £142m at end-1988.

There was little scope for profit-taking as the market moved in a narrow range. The price adjustments which did occur were triggered by sudden unanticipated developments, such as the sharp fall in equity markets in October 1989.

Mr John Shepperd, sterling bond analyst at Warburg Securities, said: "The market cannot be said to be working properly until the market makers make profits, not losses."

● The development of a professional venture capital industry in Britain appears to have done little to meet the shortage of capital for starting up or expanding young businesses, according to the latest Bank of England Quarterly Bulletin, adds Charles Batchelor

This is despite the fact that venture capitalists invested just over £1bn in the UK in 1988, 27 per cent more than the year before. In the five years to 1988 venture capitists invested £3bn of which 89 per cent was in the UK. The shortage of finance for new ventures has long been recognised, according to the Bank's Industrial Finance Division.

"Somewhat surprisingly, the development of a professional venture capital industry since the 1970s seems to have done little to eliminate or reduce the scale of this financing gap," the article stated. "Indeed, a number of developments suggest that the gap might have widened in recent years."

"While the industry disagrees on the extent to which, if at all, there is a gap in the availability of second-stage growth capital in amounts of *£100,000 to £250,000, there is* considerable agreement that seed-corn capital of less than £100,000 is hard to obtain."

The British Venture Capital Association has established a committee to look at this problem and is to encourage further seed capital funds.

Report says business no longer at a disadvantage to competitors

British gas 'cheaper' than European

By Maurice Samuelson

BRITISH BUSINESS is no longer paying more for its gas than its European competitors and in many cases is paying less, British Gas said yesterday.

In a report on comparative European prices, it said that over the past 12 months the situation had changed considerably in the favour of British customers.

Its announcement follows prolonged complaints by British industrial and commercial consumers that their energy prices are higher than on the Continent.

Ofgas, the industry's watchdog whose annual report is due out on Monday, yesterday welcomed the latest findings. However, it noted that because of the long-term contracts which British Gas had with its suppliers, gas prices in Britain were still much slower in responding to changes in oil prices than on the Continent.

The latest figures, comparing prices on January 1 1990, show that the price of firm supplies to industry and commerce in Britain was close to the European average and that for smaller gas loads British prices were lower than elsewhere.

Prices for interruptible supplies to medium and large consumers in Britain were "significantly" below typical Continental prices and domestic prices were also lower.

British Gas said that in most Continental countries there had been significant price increases during 1989, resulting from the oil price-linked indices applicable on the Continent.

Gas prices to British industry had, by contrast, shown stability or an overall decrease during 1989 for most customers. British prices had further declined in relation to Continental prices as a result of currency exchange fluctuations.

The January 1 figures showed that customers in Britain who bought their supplies on gas tariffs (those who use up to 25,000 therms a year) enjoyed the lowest or second lowest prices in Europe.

At 100,000 therms a year, gas users in Britain paid at the most between 32.5p and 33p a therm compared with 27.5p to 32.7p in Italy and 28.4p to 49p in West Germany.

Oil executive tipped as Eurotunnel chief

By Andrew Taylor, Construction Correspondent

MR Alastair Fleming a senior executive with BP oil group has emerged as a strong candidate for a new post of chief executive at Eurotunnel, the Anglo French Channel tunnel group.

The job is being created to oversee the running of the construction contract awarded to a consortium of five British and French contractors.

Mr Alastair Morton, Eurotunnel's joint chairmen has strongly criticised the contractors for delays and the mounting cost of the project.

The new executive would be responsible for day to day decisions affecting construction of the project leaving Mr Morton free to concentrate on raising the extra finance needed to complete the tunnel.

The appointment, expected to be confirmed in the next few weeks, may diffuse some of the rancour which has soured relations between particularly the British contractors and Mr Morton.

Mr Fleming is one of several candidates considered but is understood currently to be favourite for the job.

His oil industry background has parallels to that of Mr Morton although the two men have not previously worked together.

Mr Morton became the first managing director of the British National Oil Corporation (BNOC) in the 1970s, but resigned over policy difference in 1980.

Mr Fleming after building petrochemical plants for ICI in the US joined Britoil in the early 1980s when the company took over the privatised oil assets of BNOC.

He was in charge of the successful development of the £1bn Clyde field in the North sea, which was delivered ahead of schedule.

Mr Fleming following the purchase of Britoil is currently head of projects for BP Exploration Europe.

Mr Morton has regularly argued that the management disciplines required to deliver a large construction contract such as the Channel tunnel are very similar to those needed to bring a large oilfield on stream to time and within budget.

Mr Fleming has a reputation as being a tough negotiator. Colleagues, however, say he would be likely to be adopt a lower public profile than the former BNOC managing director who has been very open in his criticisms about the performance of the British contractors.

Relations between Mr Morton and the construction companies hit a low last month when a letter from a chief executive of one of the British contractors, leaked to British papers, accused the Eurotunnel joint chairman of issuing statements that were "inaccurate, incomplete and calculated to mislead."

Relocation away from London

Telecom plans to move up to 8,000 staff out of capital

By Hugo Dixon

BRITISH Telecom, the national telephone network, is planning to move up to 8,000 managerial and professional staff out of London to locations in the Midlands and the north of England over the next seven years.

The company has decided to embark on a massive exodus out of London because of the difficulty in attracting staff in the capital and the lower overheads associated with operating in the Midlands and north of England.

BT, however, is stopping short of moving its headquarters out of London. Mr Iain Vallance, the company's chairman, and other key executives will continue to operate from BT's headquarters near St Paul's Cathedral.

BT will also not be moving the thousands of engineers who are needed to install, service and repair London's phones.

The main candidates for relocation will be planning and administrative staff. "There are many jobs that do not need to be done in London," BT said.

Mr Simon Petch, general secretary of the Society of Telecom Executives, which represents 29,000 BT managers, said he was concerned that his members were properly treated in any move. He said the STE would be holding mass meetings to consult members over the next fortnight.

"If the company is going to do this, we want to get proper terms for the people who move," Mr Petch said. "They cannot expect to mess around the lives of thousands of people."

● Tax incentives to encourage companies to locate in the regions were proposed in a report published yesterday by the Centre for Local Economic Strategies, writes Hazel Duffy.

The opposition Labour Party said that the study was "a contribution" to the party's debate on the proposed devolution of power to the regions.

Launching the report, Mr Bryan Gould, Labour environment spokesman, claimed "Albania was the only European country more over-centralised than Britain."

Labour has already proposed that it would set up regional assemblies, and regional branches of an investment bank. But the detail of the power that the assemblies would have is still being wrestled over. At the other end of the scale, local authorities are worried that the assemblies would take powers away from them.

The Centre wants big companies to provide statements on the regional impact of their operations. The statements would be discussed with the regional assemblies.

Regional implications would have to be taken into consideration in merger policy. A "congestion fund" would be introduced to pay for improved pubic transport and tackle overcrowding. Another fund would be set up to deal with buildings and land which have decayed or are underused.

Local and regional accountability for economic development efforts, and for the urban development corporations, are a strong theme in the report by Mr John Darwin, from the employment department of Sheffield city council.

It also seeks to reassure business that its plans would not stifle enterprise in the regions, but rather encourage it.

Labour MPs believe that Britain lags behind the rest of Europe in devising a strong regional structure. The study, however, also calls for regional offices of government departments to be made accountable to the regional assemblies.

Whole Whitehall departments, not just ancillary activities, must be dispersed to the regions, so that the "decision-making" was not retained in Whitehall.

● The Enterprise Society, CLES, Alberton House, St Mary's Parsonage, Manchester M3 2WJ £15.

Companies may face green audit from EC

By John Hunt

A EUROPEAN Community directive requiring companies to carry out regular audits of their environmental performance is likely to be drawn up within the next two years according to the World Wide Fund for Nature (WWF) and SustainAbility, the environmental consultancy.

Officials of the European Commission in Brussels have asked to see copies of a report on environmental auditing published yesterday by SustainAbility for WWF. Under this system a regular independent check is carried out on all a company's activities that affect the environment.

Mr John Elkington, Executive Director of SustainAbility, said that the Commission had expressed great interest in the idea of a directive. It would have to be compulsory and have some method of policing.

It would particularly affect industries which had an impact on the environment such as oil, chemicals, mining, quarrying, transport and biotechnology.

Britain lags behind the US and some western European countries in environmental auditing. SustainAbility is currently holding discussions with another large consultancy, Environmental Resources, with a view to establishing uniform standards and possibly an institute for environmental auditing.

Mr Clive Wicks, head of industrial policy for WWF, predicted that Britain would eventually adopt strict environmental laws similar to the United States. The report says that in the US businessmen have been prosecuted by the Department of Justice's Environmental Crime Section: the average sentence was five years.

● A report outlining ways of using market mechanisms to help control pollution has been published by the Government to MPs. The document; the first to present conclusions to ministers preparing the spring policy paper on the environment was commissioned by the Government from Environmental Resources (ERL).

Shorts orders security review in wake of third IRA bomb attack

By Our Belfast Correspondent

SHORT BROTHERS, the Belfast aircraft and missiles manufacturer, yesterday ordered a top level review of security following the third IRA bomb attack on the premises in seven months.

In a chilling statement, the Belfast brigade of the Provisional IRA said it regarded the weapons division of the company as a "prime target" and said no further warnings would be given about attacks.

Shorts management has been upgrading security measures at the 400 acre east Belfast complex since bombs damaged aircraft last July and November and yesterday Mr Roy McNulty, managing director, said the matter was being treated very seriously.

Senior management, however, pointed out that with almost 8,000 employees on a massive site, total security was extremely difficult.

Shorts, Northern Ireland's biggest private employer, was acquired by Bombardier, the Canadian transport group, three months ago.

Ironically, yesterday's attack occurred just a day after the company announced two major contracts from Boeing worth £75m, the first big aerostructures contracts since the Bombardier takeover.

The company has an increasing work load with several important defence contracts worldwide and turnover is expected to rise to about £350m next year.

Yesterday's bomb was detonated near a hangar where the RAF Tucano trainer aircraft is being built.

The IRA said: "On this occasion we gave ample warning of the impending explosion in order to avoid casualties.

"However, these workers, and all others employed at Shorts on work with military applications, are no different to contractors and workers providing labour, materials and services for the British crown forces.

"They must recognise the consequences of their involvement in such work."

The IRA said they intended to pursue their campaign against Shorts' military division although future operations would not be accompanied by warnings.

NEWS IN BRIEF

Ford accused of flying in Belgians to break strike

THE EETPU electricians' union said yesterday that Ford was flying in electricians from the company's Genk, Belgium, plant to do jobs that the union's striking members at Dagenham would normally carry out.

Mr Lew Britz, EETPU executive councillor, accused other unions at the plant, most of whose members are working normally, of collusion with the company. "They should not allow other people to do our work," he said. "We have never been accused of such things."

Ford said there were only three Genk electricians working at Dagenham. That was routine and could be happening whether or not there was a strike by electricians.

EC union campaign

Print and journalist unions yesterday launched a campaign to try to win back negotiating rights removed from them by a major newspaper group.

Sogat, the print union, and the National Union of Journalists said they were petitioning the European Parliament claiming that ending collective bargaining breached the EC Social Charter.

More than 550 Sogat white collar workers and a similar number of journalists on the Daily Mail, the Mail on Sunday, and the London Evening Standard – all owned by Associated Newspapers – effectively lost their union rights in January.

Storm warning

Further storm chaos was predicted yesterday as fresh gales hit western Britain, following a week in which floods caused widespread damage and disrupted travel.

Weathermen fear the Atlantic storm could be as strong as the January 25 gales which left 47 people dead and caused damage estimated at £1bn.

The Ministry of Defence, police and local authorities are on emergency stand-by after Meteorological Office warned of storm-force winds.

Rise in visitors

Overseas visitors to the UK increased by 7 per cent in number in November last year, in comparison with the same month in 1988, according to figures released yesterday by the Department of Employment. This brings the total number of overseas visitors to the UK in the first 11 months of last year to 16.1m.

Although these visitors spent an estimated £6.7bn while in the UK, the figures also show that British residents going abroad spent £9.2bn, creating a tourism deficit of £2.5bn.

Coal 'job losses'

The coal industry and related businesses will shed another 100,000 jobs by the mid-1990s as a result of changes taking place in Britain's energy sector, it was claimed yesterday.

The forecast, by economists Mr Stephen Fothergill and Mr Stephen Witt, also claims that plans to privatise British Coal will cause the closure of 41 collieries by 1995.

Nurses' pay appeal

More than 50,000 nurses are still waiting to appeal against disputed pay grades introduced more than a year ago, according to a new survey.

The 1988 clinical regrading of their career structure backfired on the Government when many thousands protested they had been placed too far down the pay scale. Now a national survey estimated 135,000 nurses appealed against their gradings.

Estate agents rules

Tougher rules to curb rogue estate agents, including making it a criminal offence to publish misleading details of houses, were suggested yesterday by the National Consumer Council, the state-financed consumer watchdog.

The NCC was responding to a discussion document published recently by the Office of Fair Trading which proposed tighter controls on estate agents following a wave of consumer complaints about the level of service they provide.

Ambulance dispute

Chief ambulance officers are set to suggest a two-year pay deal worth a possible 16 per cent as part of their peace proposals aimed at breaking the deadlock in the 21-week long ambulance dispute.

The association, which represents the UK's 48 chief officers, met at Department of Health offices in London on Tuesday to put the finishing touches to proposals they hope to discuss with Mr Duncan Nichol, NHS chief executive, soon.

Sunday paper sales

The Independent on Sunday suffered a sharp drop in sales of its second issue last Sunday. The new quality Sunday newspaper sold an estimated 540,000 of a print run of around 1m.

Minister defends Tory record on insider dealing

By Richard Waters

A SPIRITED defence of the Conservative Government's record on insider dealing in the face of recent failures to obtain convictions was launched yesterday by Mr Nicholas Ridley, Trade and Industry Secretary.

Appearing before the cross-party trade and industry select committee, Mr Ridley said he was "not aware of any major defects" in the existing legislation. He said the success rate in obtaining convictions – in 10 out of 19 cases – represented a good record given the difficulty of proving the crime, and was in line with other countries' experience in this area.

The Government has come under attack over recent failures, including two this year. Of 16 individuals prosecuted under the 1985 Company Securities (Insider Dealing) Act, only six convictions have been obtained, with one overturned on appeal.

Mr Ridley also ruled out the introduction of a civil remedy as a way of penalising insider dealers – despite widespread support for this approach in the City.

He said a public body with the responsibility to bring civil actions would only be able to seek injunctions or cash penalties and would not be able to impose a prison sentence.

It would then face the difficult and costly problem of sharing out any financial penalty paid by an insider dealer between all those who lost as a result of his actions. This would cover all those who dealt in the stock market at the same time – and even those who would have dealt but did not, as a result of the insider's actions.

Mr Ridley said he did not believe more cases would be brought under civil law than under criminal law, despite the lower burden of proof. "The criminal law remains the appropriate way to deal with insider dealing," he said.

Mr Ridley strongly denied claims from MPs that insider dealing was increasing, saying that prosecutions had acted as a deterrent. "Those that are still committing the offence are being very much more careful," making them far harder to detect, he said.

Mr Ridley added that the Government might instruct its inspectors not to publish their judgments of the behaviour of company directors and others who feature in company investigations.

This follows judgments of individuals contained in the County NatWest/Blue Arrow report last summer, which prompted the resignation of three NatWest directors, among others.

Restrictions on Guinness trial lifted

By Raymond Hughes

THE media have successfully opposed an attempt to ban reporting of the first of two criminal trials arising from Guinness's takeover battle for the Distillers drinks group in 1986.

The opposition to a ban, initiated by the Financial Times and Independent Television News, also involved about a dozen other national newspapers and the BBC.

It was the first major challenge to restrictions on the reporting of public court hearings.

The Court of Appeal yesterday refused to interfere with the decision of the trial judge, Mr Justice Henry, not to impose a reporting ban on the first trial, expected to start at Southwark Crown Court in south London on Monday.

Last week a ban was sought by Mr Ernest Saunders, the former chief executive of Guinness, who, alone among the seven leading City figures charged, is to be in the dock in both trials.

In a judgment last Monday, reporting of which was barred until the appeal court had ruled, Mr Justice Henry said that there was a strong public interest in the first trial being reported.

It would not be right, he said, for that trial – estimated to last six months – to "vanish for months behind a curtain of reporting restrictions, for fear that unfair, sensational or irresponsible reporting would endanger the second trial."

The spate of bad economic news breathes fresh life into sterling

Simon Holberton charts the effects of the austere warnings being given by Britain's new Chancellor of the Exchequer

IF the recent spate of poor economic news has done nothing else, it has breathed life into sterling.

After falling sharply in the wake of Mr Nigel Lawson's resignation as Chancellor of the Exchequer in late October and languishing at its lower level until Christmas, the pound has gained ground almost daily.

Since the start of the year, sterling has appreciated by 3.8 per cent, making it one of the best performers of the main currencies. That appreciation has returned the pound to where it was at the beginning of October and has nearly wiped out the depreciation that occurred in the months after Mr Lawson's departure from the Treasury.

Grumblings in London's financial markets that Mr John Major, the new Chancellor, had allowed the pound to devalue – something his predecessor said the Government would not permit – has now turned to praise as sterling has strengthened.

Mr Geoffrey Dennis, chief international economist at James Capel, the securities house, talks of Mr Major's "convincing public relations" exercise in the Commons last month when he forcefully ruled out any near-term loosening of the monetary screw. Anticipation that the Chancellor will present an austere Budget next month has also helped the pound.

Mr Jim O'Neill, head of financial markets research at Swiss Bank Corporation, is similarly admiring of Mr Major's salesmanship. "His decision to squash speculation of lower interest rates at the first sign of economic weakness has underpinned the market," he says.

The Chancellor has been unmoved by Confederation of British Industry surveys showing output growth stagnating, investment likely to be cut and unemployment likely to rise, as well as official data confirming many such trends.

However, tough words from Mr Major have been only partially responsible for the apparent re-rating of the pound since the new year. The trend has been based on various fundamental economic and technical factors.

- *The lessening of Britain's* current-account deficit and widespread expectation that the trend will accelerate have been very important. November's trade figures, reported at the end of December, helped to change the market's thinking; December figures, released two weeks ago, cemented the more positive viewpoint.
- Economists are now saying that the sell-off in sterling at the end of last year was overdone and took place in a thin market. On the basis that, if traders can not make profits selling a currency they will buy, the pound was anyway due for a rally.

The Bank of England and the Treasury have taken comfort from the stronger pound. The official view is that the pound's strength is a reflection of a growing confidence that monetary policy is cooling the economy as the Government promised and of policy itself being on a more even keel.

As one official noted, signs of a weaker economy are now being reflected in a stronger currency rather than in expectations of lower interest rates. "Sterling is strong, and we like that," he said.

Just how sustainable that proves to be is, however, a longer-term concern for many. Although improving trade figures are currently helping sterling, economists say that much slower progress in reducing inflation (especially in underlying terms) and an expected rise throughout the year of labour costs may presage a return to weakness in the pound.

Earlier this week, Mr David Morrison, international economist at Goldman Sachs International in London, warned of a number of factors that could lead to sterling weakness. He said the pound might fall if Mr Major tried to trade a tight Budget for lower interest rates.

He told a conference that the pound might well come under downward pressure in the second half of the year, when international investors refocus on the UK's "horrendous labour cost profile." He predicted that the likely fall in the pound against the D-Mark would be of the order of 25 pfennigs – not as savage as last year's 50-pfennig fall – but nevertheless worrying.

International factors may also not work to the pound's benefit. Economists believe that West Germany's Bundesbank may have to raise German interest rates again, while in Japan the monetary authorities seem to be preparing financial markets for another rise in official rates as soon as this month's parliamentary elections are out of the way.

The combination of domestic and international influences on the horizon is seen as limiting Mr Major's ability to loosen monetary policy without risking a fall in the pound's value.

Mr O'Neill cited the Canadian authorities' recent experience when they lowered official interest rates a fortnight ago. "As soon as they cut interest rates, the Canadian dollar fell sharply," he said. There was a message in that for the Chancellor, he added.

WALLACE AFFAIR

Pressure on Government mounts with new inquiry

By Ralph Atkins

PRESSURE on the Government for full details about Mr Colin Wallace and allegations of "dirty tricks" by Northern Ireland security forces intensified yesterday when the House of Commons Defence Committee launched its own inquiry into the affair.

The all-party group of MPs said it was "deeply concerned" at admissions last week of malpractice by the Ministry of Defence. It will be calling for evidence from MoD as part of an investigation into the department's "administration and policy" in relation to the affair.

The announcement follows the Government's decision to set up two inquiries into the affair. The latest investigation is unlikely, however, to satisfy demands from MPs for a wide-ranging judicial investigation.

Mr David Calcutt, Master of Magdalene College, Cambridge, is investigating the circumstances in which Mr Wallace left the Civil Service in 1975. At the same time, Mrs Margaret Thatcher has ordered an inquiry into why documents on the case had only recently been brought to her notice by civil servants, causing her to make inaccurate statements to MPs.

Mr Bernard Weatherill, the speaker, is currently considering whether there is a case for referring the affair to the Commons Privileges Committee.

The Defence Committee's move coincided with the publication of a letter from Mr Wallace to the Prime Minister. He said the terms of reference of the inquiry into his dismissal were "unnecessarily restrictive and exclude most of the key issues."

He said: "I am also very concerned that, despite the assurances you have given parliament on this matter, statements containing false information are still being given to the House."

Last week the MoD said papers had come to light suggesting that the security forces had operated a policy of deliberate "disinformation" in Northern Ireland in the early 1970s. It also admitted for the first time the existence of the "Clockwork Orange" project to spread disinformation about the IRA.

The MoD has said there is no evidence to support allegations that Clockwork Orange spread disinformation intended to denigrate ministers in the administrations of Mr Edward Heath and Mr Harold Wilson.

Mr Michael Mates, Conservative chairman of the defence committee, refused to comment on the scope of its investigation. In a brief statement after a private meeting, the committee said it would be meeting next week to consider the matter further.

Mr Tam Dalyell, the Labour MP for Linlithgow who has campaigned for a full investigation, said the committee should take evidence from Mr Wallace. He also said Mr Heath, Prime Minister until 1974, and Sir Michael Quinlan, permanent secretary at the Ministry of Defence, should be called.

MANAGEMENT: Marketing and Advertising

Tobacco advertising

Fighting to the last gasp

Lucy Kellaway reviews the arguments surrounding the latest pronouncements from Brussels

Tobacco advertising is on the way out. The cigarette and advertising lobbies are fully aware of that, yet it does not prevent them fighting to their last gasp to prevent Brussels from further hastening it on its way.

The European Community has already made it illegal to advertise tobacco of any sort on television, and is now proposing to restrict advertising on posters, newspapers and magazines.

It has issued a draft directive which would limit all tobacco advertising to an uninspiring display of the outside of the packet, and would also make it illegal to advertise any product that uses a trade mark mainly associated with tobacco. Dunhill, for example, could well find that it could no longer advertise anything carrying its name.

The industry is using all its creativity to try to stop the measure. At a press conference in Brussels last week the European Advertising Triumvirate – an alliance of advertisers, agencies and the media – argued that the very principle of freedom of speech and expression was at stake.

Tobacco advertising may be the regulator's favourite whipping-boy, but tobacco has the same advocacy rights as any other legally-sold product. Take away those rights, and where does the "domino effect" end? they asked.

The fear is that dangerous precedents are being set; if the Commission succeeds in restricting tobacco advertising there would be little to stop it from doing the same thing with alcohol, pharmaceuticals and even motor cars.

In theory, the Commission could start making community-wide bans that now operate in individual countries – expanding Greece's ban on imported toy advertisments, pregnancy test ads in the Republic of Ireland, and so on.

Fears on this score are almost certainly overplayed; the Commission is not thirsting to ban whatever it can. However, the advertisers are right to fear the direct effects of the tobacco directive – which may not be very different from a total ban.

The creative departments of advertising agencies have until now met each new layer of restriction with more and more imaginative ads, but this time the game would seem to be up.

Those golden Egyptian pyramids and yards of purple silk only exist because they do not show people smoking, indeed, do not show people at all; neither do they have anything to do with sex, healthy living or achievement – or any of the areas frowned on by the regulators.

The requirement that advertisments should show only cigarette packs is designed to put a stop to all that. "We do not want to allow companies to be creative. Creativity means finding a way of getting round the spirit of the provision," says one Commission official.

The prospect of running such dull advertisements will be a serious discouragement to advertise at all. The experience of France – where a similar restriction is already in place – suggests that companies may simply stop advertising, at least on bill posters.

The cigarette lobby's case starts by denying that restrictions on advertising succeed in their aim - to reduce consumption of cigarettes.

The lobbyists cite the examples of Italy and Portugal where, despite a complete ban on tobacco advertising, consumption is either rising, or at any rate is not falling as quickly as in other countries, where advertisers are given a freer rein.

However, as commission officials point out, this argument could backfire; if there is no link between advertising and consumption one wonders why the industry bothers at all.

A second point is a much stronger one. It argues that while it may be within the powers of the Commission to legislate on tobacco advertising, it should do so as part of its health legislation, and not as part of the great 1992 single market in Europe.

The Commission has argued that publishers could be hindered from selling magazines and newspapers in other European countries by the different advertising standards in operation in those countries.

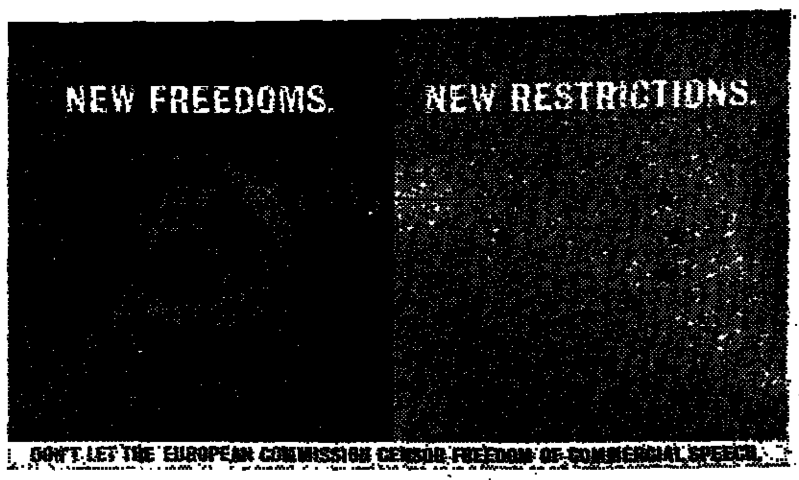
The advertisers counterclaim that this has scarcely ever been used as a barrier to trade in the past, and also note that poster hoardings are seldom seen crossing frontiers.

The Commission is not taking any of the industry's arguments too seriously. That does not mean that it is complacent about the directive's chances.

On one side are countries such as Italy and Portugal, which are arguing for a total ban throughout Europe. This would be strongly supported by the European Parliament, which would like much tougher measures, and regards the directive as a cop-out.

However, countries such as the UK, West Germany and the Netherlands argue that restrictions on advertising are better achieved by voluntary agreements rather than inflexible rules laid down by the Commission.

These countries are wavering, but it is not likely that they will block the directive. The UK may be worried about ceding too much power to Brussels in a general sense, but health ministers may not wish to explain why they appear to be backing the likes of Philip Morris or Saatchi and Saatchi.



OVER the next few weeks this poster will be pasted up on billboards in the squares and streets around the European Commission buildings in Brussels, writes Alice Rawsthorn.

It is part of an advertising campaign produced – and paid for – by Saatchi & Saatchi, the London-based agency with owns one of the largest European advertising networks, to lobby against the European Commission's directive on tobacco advertising.

Saatchi is heavily involved in tobacco advertising through the Silk Cut account, which it holds across Europe. In recent years this campaign has featured variations on the theme of a cut in a piece of purple silk.

"Our concern is that this is the thin end of the wedge," says Charles Sampson, account director of the sickle and stars campaign.

"There are a number of categories – toys, food, and cosmetics – where the rules and regulations on advertising differ from country to country. The EC could introduce restrictions in these categories too." Saatchi argues that tighter restrictions on advertising constitute a threat to "freedom of commercial speech" by preventing advertisers from including product information in their campaigns.

The agency will spend about £100,000 on the sickle and stars campaign; ads will appear in magazines, such as Time and the Economist, and in the Kangaroo News, which is circulated among people working at the Commission.

The posters will appear in most of the main European cities. They will be pasted up on sites by government buildings, airports and stations – anywhere where Eurocrats are likely to see them.

Marketing abstracts

Radio advertising: its audience and impact. *J Clemens in Admap (UK), Mar 89 (4 pages)*

Compares radio and television advertising and states that radio listening is more popular among the young while TV viewing is more popular among older people. Reports on research which draws on two new measures of impact – "opportunities to recall" and "positive recall rating" – which suggest, contrary to received wisdom, that radio advertising is almost as powerful as that on TV. Sees a need for better crafted radio commercials and concludes that radio and TV advertising can be complementary.

Practical hints on sales forecasting. *J G Kenworthy in BPICS Control (UK), Apr/May 89 (2 pages)*

Assesses forecasting methods and looks at for how far ahead forecasts are required; provides guidelines for achieving accuracy, such as moving the forecasting base as close to the end-user as is practicable and recognising the importance of honesty.

Market share is not destiny. *W L Shanklin in The Journal of Business & Industrial Marketing (US), Winter/Spring 89 (12 pages)*

Investigates the connection between profitability (with ROTA – return on total assets – as the chosen measure) and market share, arriving at the conclusion that it is companies in the middle, ie those who do not have a very high or a low market share, that are the most profitable.

Advanced marketing research finds a new market. *T Eisenhart in Business Marketing (US), Mar 89 (6 pages)*

Reviews reasons why business (as opposed to consumer) marketers shy away from so-called advanced marketing research tools: "why should I spend another $10,000 to find out what I already know?". Believes and implies, however, that there is a growing acceptance of methods such as focus groups, "projective techniques", statistical analysis, and trade-off analysis. Cites examples, for instance Panasonic's use of visual imagery.

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How in-house PR managers have improved their status

Alice Rawsthorn reports that the industry's progress is slow but sure

One of the howling ironies of the public relations industry is that, for a profession which specialises in presenting positive images of other people, it has done a remarkably poor job on itself.

Despite all the industry's attempts at portraying itself as a dynamic area of the marketing services sector, it has never really succeeded in shaking off the image of a group of gin'n'tonic swillers who have been shuffled off into public relations because they could not make it anywhere else.

Yet the industry has made some progress. A survey of the role of in-house PR managers by Burson-Marsteller – the PR consultancy owned by Young & Rubicam, the US marketing services group – suggests that public relations has achieved higher status within UK companies in recent years and that PR managers are now given a wider strategic role.

When Burson-Marsteller conducted its first survey of "Public Relations Professionals" in 1976 the conclusions were distinctly depressing. The PR managers operated at a junior level in their companies. Most did not have regular access to senior management. Few were involved with the PR strategy in the international arena.

The situation is changing, albeit slowly. The new study canvassed the opinions of the PR managers from nearly 200 of the Times Top 1,000 companies. Eight out of ten believed their status in their own organisations had improved in the past 14 years. Seven out of ten felt their status outside had improved too.

None the less only one in five was convinced that the top management in his or her company really recognised the potential of public relations.

Only five per cent of the sample were members of the main boards of their companies. Yet most claimed to have more regular meetings with senior people, such as the managing director.

The role of the PR manager has certainly become better defined. Three quarters of the respondents now prepare an annual plan for public relations within the UK, compared with only half in the previous survey. Almost all those surveyed – 95 per cent – now have a fixed annual budget, against 84 per cent in 1976.

Only 42 per cent of the sample are involved in either preparing or approving a PR plan for their company's international operations. This relatively low level does, however, represent an increase on the 29 per cent who were involved at an international level in the previous survey.

The practical role of the PR manager has also changed. The majority of respondents cited employees as their most important target. Journalists, the traditional target for public relations, now play a secondary role.

The importance of employees – and prospective employees – is likely to be accentuated in the future because of demographic trends which will make it much more difficult for companies to recruit school leavers.

The general public is also becoming an increasingly important target. This trend is likely to intensify in the future as greater awareness of environmental issues, and the revival of consumerism in sectors such as the food industry, focuses public attention on big companies.

Less than two thirds of the sample were involved with specific programmes for the financial community. Under half aimed programmes at their companies' major customers. By contrast customer relations has become increasingly important to PR people in the US.

Most of the respondents expected their companies to spend more money on PR over the next five years. Similarly a majority believed that public relations would continue to grow in stature because of the growth of environmentalism, the preparations for 1992 and the competitive labour market.

Most pertinently, the PR managers seemed to have a higher opinion of their own profession than they used to. When asked whether they would recommend their sons or daughters to choose a career in PR, three quarters said "yes", compared with less than half in the old survey.

Survey of Public Relations Professionals, Burson-Marsteller at 24-28 Bloomsbury Way, London WC1A 2PX.

BUSINESS LAW

Insider dealing in the UK

By Thomas Conlon

DEALS DONE by outsiders, individuals who are neither primary or secondary insiders but who have somehow come into possession of unpublished price sensitive information, appear, in general, to be outside the scope of the 1985 Company Securities (Insider Dealing) Act.

In order to cover at least one category of outsider, however, the Act extends the class of individuals covered to include Crown servants.

With the advent of the increased reporting requirements of the recent financial services legislation, the definition of Crown servants was considered too restricted. Consequently, the definition was broadened to include those persons declared by order of the Secretary of State to be a public servant and covers, among others, members of a designated agency, competent authority and SROs such as IMRO and TSA.

The Act does not give much help in determining what actually constitutes "unpublished price sensitive" information. It refers only to information which:

(a) related to specific matters relating or of concern (directly or indirectly) to a company; and

(b) is not generally known to those who are accustomed or would like to deal in those securities, but which would, if it were generally known to them, be likely materially to affect the price of those securities.

There are therefore three general criteria:

1) the information must be confidential;

2) it should relate to specific matters and should not be of a general nature; and

3) it should be of a nature that, if generally known, would be likely to affect materially the price of the securities.

One area where guidance is needed is in regard to what constitutes "publication." Does publication occur when the price sensitive information appears in the national press, or possibly prior to that when it appears on the dealing screens?

Another area of concern relates to unpublished, price sensitive information divulged at City functions. Does it cease to become unpublished when the price sensitive information is stated at a public meeting? What if it is stated at a large City luncheon attended by a large number of City firms? What if the information is divulged in a private circulation financial newsletter? It is unlikely that the latter example would be regarded as publication.

If, in any of these situations, publication has not occurred, then a recipient of the information may have come into possession of insider information (as a tippee) and that individual (not his company) may commit an offence under the 1985 Act if he deals in the securities or communicates the information to another person who is likely to deal, or if he encourages another party to deal.

Of equal concern must be information, which is gained in "research" (particularly "onsite research") about a company, which is unpublished and which could affect the movement of prices.

The Act contains a number of exceptions to the general prohibitions against dealing while in possession of inside information. Specifically, some of the limited exemptions set out in the 1985 Act provide that a transaction does not fall within the scope of the Act if:

1) a person does it otherwise than with a view to making a profit or avoiding a loss for himself or another person (this may be a very limited exemption and clarification would help);

2) it is a transaction in good faith by a liquidator, receiver or trustee in bankruptcy;

3) it is done by a jobber or market maker on information which was obtained by him in the ordinary course of his business and the information is the type of information which he would reasonably expect to obtain in the ordinary course of his business and his transaction was undertaken in good faith in the course of that business.

One of the major criticisms of the 1985 Act was that it failed to give the authorities adequate powers of investigation.

However, the shortcomings were largely rectified by amendments introduced in the Financial Services Act 1986 (FSA) which granted the Department of Trade and Industry (DTI) and the Securities and Investments Board (SIB) power to appoint investigators to look into suspected breaches of the 1985 Act.

The powers of investigation granted under the FSA are wide and provide, among other things, that a person may be required to produce documents in his possession or in his control and to appear before the inspectors, to give evidence under oath and to provide all the assistance asked of him in connection with the investigation.

The FSA also provides that failure to comply with the Inspectors' requests could result in the company's authorisation to carry on business being cancelled or restricted. On a personal level, an individual unreasonably refusing to disclose information could be treated as if guilty of contempt of court.

It is also likely that a company's failure to co-operate could be treated as a breach of the Conduct of Business Rules of the FSA.

The term "recognised stock exchange" in the 1985 Act has been extended by the FSA to cover the Stock Exchange, as well as any other investment exchange designated by order of the Secretary of State to be a recognised stock exchange for the purposes of the 1985 Act.

Even with the expansion of the definition of a recognised stock exchange, some private dealings and off-market share transactions fall outside the scope of the insider dealing prohibition.

The maximum penalty for insider dealing has recently been increased to possible imprisonment for up to seven years or a fine, or both.

Although insider trading has been a criminal offence since 1980, to date there have been surprisingly few prosecutions under the Act and those that have been successful have, until recently, resulted in fines that barely matched the possible "profit" to the insider on the prohibited transaction.

On several occasions, the fines levied by the court were substantially less than the possible profit.

As the 1985 Act only provides for criminal sanctions, proceedings may not be instituted by individuals such as shareholder-victims of the illegal insider transaction, but only the Secretary of State or by or with the consent of the Director of Public Prosecutions.

Are illegal insider deals legal contracts? Does the back office have to cancel the insider deal upon its discovery? The Act specifically provides that the securities transaction is *not* made void or voidable by reason of the fact that it was entered into in breach of the Act's insider dealing prohibitions.

What happens to the illegal profit made (or loss avoided) as a result of an illegal securities transaction by an individual while in possession of inside information? Or to put the question another way, does the insider have to pay the money back and if so, to whom?

The Act is less than clear on these points, but it clearly fails to make any reference to "disgorging" the insider trader's profit. It may be that the prosecutor will have to attempt to institute disgorging under other legislation.

There does not seem to be any reference to disgorging of profits in any of the insider cases brought under the 1985 Act. Needless to say, it would seem unduly magnanimous on the part of the British authorities to allow an inside trader such as Mr Ivan Boesky to retain the hundreds of millions of pounds of illegal "profits" made from illegal insider trading. Disgorging has proved a particularly effective penalty under US law.

Some will argue that it may be difficult to establish the innocent party (victim) to the illegal transaction. This may be so, but equally there can be no logical basis for the convicted inside trader retaining the fruits of his illegal activities. If it is not possible to identify the victim, better the illegal profits should be used to offset the cost of Stock Exchange surveillance or go to a charity.

Although there are still many grey areas surrounding the current insider dealing regime in the UK, the recent increase in investigations and prosecutions under the 1985 Act, coupled with the increased fines, all indicate a strong desire to eradicate insider dealing practices in the London market.

The author is Director of Legal Services and Compliance at Henderson Administration Group.

The first part of this article was published in the FT on February 1 1990. Previous articles in this series were Insider Dealing's Global Dimension, July 27 1989; Insider Dealing, The US Approach, FT 7 September 7 1989.

ARTS

Peter Wight and Phil Daniels

Alastair Muir

A Clockwork Orange 2004

BARBICAN THEATRE

A giant shadow looms over any attempt to wrest Anthony Burgess' novel from the page to performance: Stanley Kubrick, whose film, since withdrawn by the threatened and abused director, had the mockery, *style and insolence that the* cinema conveys more easily than the theatre.

The brilliant use of music was not confined to Beethoven's Ninth, so adored by the psychopathic little protagonist. Alex's slashing of his mutinous henchman, played in slow motion to the callous mechanical snickering of the *Thieving Magpie* overture, both distanced the violence into a scientifically observable phenomenon and elevated it into an aesthetic experience, polished yet shocking. In comparison, the score provided by The Edge and Bono for the RSC's new staging, is decent background mood music but has no life of its own.

Style is present in the curved blood-red hangar, panels of riveted and bolted iron, of Richard Hudson's set; and, very fleetingly, in Arlene Phillips' choreography for the dehumanised denizens of the Korova Milk Bar. A jungle nightworld of feral urbanisation is created, in which Alex and his Droogs prowl, rob, destroy, rape and *kill*.

As the programme note to Ron Daniels' production, adapted in collaboration with Burgess, reminds us, the story concerns violence less than its cure – the psychological violence, rather, of conditioning. The reformed Alex vomits and doubles up in agony at the thought of sex, violence and music, though the authors load the dice by applying this, apparently, to literature and the arts as well. The prison chaplain's agonising on the preciousness of free choice ("Have we the right to choose evil?") is therefore redundant. If it's all part of the package of culture, there's no question about it.

This slight simplification is underlined by the blunting of what the film brought out with sardonic sharpness: Alex's joyful deconditioning, when to the strains of his beloved Ludwig Van he welcomes images of violence as old friends; and knows he's back to normal.

The stage version opts for the little Droog growing up, moved by the thought of procreation and domesticity. This falls doubly flat as Phil Daniels' performance has elements of fascinating nastiness.

His first appearance, the ratlike profile under lank locks and misshapen bowler, the black tights padded with shinguards, makes a plausible vision of Richard III (which I would love to see him play one day). Beaten by brutal police, on his knees and defeated, his snarled credo is that of the Elizabethan Machiavel: "What I do I do because I like to do it." The captured Iago's contemptuous "What I know I know" is not far away.

The production is full of telling touches: the voices of the masked police dehumanised and mechanised into loudhailer tones, for instance; the giant bust of Beethoven projecting horizontally from the wall.

But after the violent opening scenes the tension flags with the advent of the liberal crusader who takes his wife's ravisher unwittingly under his wing. The play becomes wordy, and sudden naturalism jars after the stylised cruelty. Ultimately this is an interesting exercise, no more; and, to be honest, for all the hints of present relevance, I am not sure of the point.

Martin Hoyle

CINEMA

Shrink the magnolias

HONEY, I SHRUNK THE KIDS **Joe Johnston**
STEEL MAGNOLIAS **Herbert Ross**
FAMILY BUSINESS **Sidney Lumet**
THE KILL-OFF **Maggie Greenwald**
ROOFTOPS **Robert Wise**

Miniaturism has been a favourite fictional device ever since Jonathan Swift had an inspiration at his writing desk one morning and announced to his wife, "Honey, I shrunk the Lilliputians."

After that it was open season. The world brought forth *The Incredible Shrinking Man*, *Fantastic Voyage* (Raquel Welch in someone's bloodstream), *Innerspace* (Dennis Quaid in someone's bloodstream) and the new Disney fantasy *Honey, I Shrunk The Kids*.

Since this film was made for peanuts on a Mexican soundstage, expect no awesome special effects. Much of the decor and livestock in the giant garden negotiated by four children who have been miniaturised by an inventor father's new laserbeam – accidents will happen – is a touch plasticine in appearance. And we cannot but note the odd inconsistency of scale. (How can an abandoned cigarette be the same size as an ant?)

As directed by Joe Johnston, the film's charm lies in its fun, pace and simplicity. Dad Rick Moranis (owl-faced ghostbuster of yore) no sooner discovers the mishap than he is inventing gadgets for searching the child-infested lawn without stepping on it. Cue astonished looks from no-nonsense, outdoor-type neighbour (Matt Frewer) as each day brings forth new Heath Robinsonisms: best of all a harness-and-balance contraption which has Moranis swinging like a ceiling mobile six inches above the grass.

Meanwhile Mum (Marcia Strassman) has patient hysterics in the kitchen; pets assume undreamt-of powers of menace; and down in the lawn-turned-jungle the children battle giant bees, tree-thick blades of grass and monsoons from an accidentally activated garden hose.

The film's wonderful virtue is that it has no ideas above its station. Scientific gobbledegook is kept to a minimum – just enough to trigger the plot – and the best visual jokes involve plain, everyday household props. As when a dustpan and brush become artillery from heaven. Or when a spoonful of cereal containing six wheatie-puffs, some milk and a tiny child grows ever more terrifying as it nears the oblivious eater's mouth.

★

Oh for a miniaturisation beam that could be deployed on Sally Field, Shirley MacLaine, Dolly Parton, Olympia Dukakis, Daryl Hannah and Julia Roberts in *Steel Magnolias*. I never saw the semi-autobiographical original play by Robert Harling. But on stage it was surely more than an excuse for six actresses to scream at each for two hours in Southern accents.

We are in a Louisiana small town (the author's birthplace): all doll's-house streets, scrubbed lawns and moss-hung trees. We gather daily at Miss Parton's beauty parlour. We exchange laughter, gossip and sorrows. We comfort the plain (Miss Hannah in specs and overplayed gawkiness) and the pregnant (Miss Roberts). We gang up on the scandalmongering (Miss MacLaine). We giggle at the ladylike barbs of Miss Dukakis and rally round the motherly agonies of Miss Field. (Will she donate a kidney to her ailing daughter?) We deliver Delphic Deep South epigrams by the dozen: "This is the 1980s. If you can achieve puberty, you can achieve a pay-ast!" (Think about it: I still am.) And we have made – good grief – $58m at the American box office.

Only possible explanation: people enjoy seeing old troupers trouping away. Directed with few concessions to cinema by Herbert Ross (*Nijinsky*, *The Turning Point*), the film is a hen party for half-a-dozen Oscar-hungry divas. With the exception of Miss Field, who gives her apple-cheeked best even in the six-kleenex finale, they all deserve to go away empty-handed.

Indeed three deserve to go away with rapped knuckles. Miss Hannah, simpering and cringeing as the lanky Plain Jane, is plain embarrassing. Parton whines out her lines in a pancake-flat monotone, as if rehearsing the lighting cues at the Grand Ol' Opry. And MacLaine, with this performance following hard upon her *Madame Sousatzka*, must be set on winning an annual Crazy Overacted Crone award. Wait for the video and barbecue it.

★

At least one understands, even if one regrets, the reasons why *Steel Magnolias* was made. (Meaty roles in a hit play.) The process by which *Family Business* advanced from script to screen is an enigma. Sean Connery, Dustin Hoffman and Matthew Broderick are three generations in a Scottish-Italian-Jewish-American (sic) family. They plan a robbery. They commit the robbery. One of them is caught. How will the others get him out?

Sounds okay in summary. But on screen, even though directed by crime veteran Sidney Lumet (*Dog Day Afternoon*, *Serpico*), the film is what Mr Hoffman would call a dawg. The robbery is excitingly staged, but the scenes surrounding it are as stimulating as a Mickey Finn.

Vincent Patrick's screenplay runs to corpulent ironies about generational differences within one petty-crime dynasty. Broderick is a drop-out biology scholar, Hoffman a meat trader, Connery an unreconstructed ex-con. And as always in Lumet movies, when other means of making points fail, people hit each other. Hoffman is the gold medal winner here. Not content with slapping Junior round the kisser, he is soon flat-palming Dad on the pate (as if losing patience with a childproof pill bottle) and later biffing him on the chin.

Two out of three performances win the Steel Magnolia award for distressing work in a same-sex ensemble piece. Hoffman dons an Italian-American accent but looks as if he wishes he could take it back to the shop. Broderick has two expressions: a grin and a frown. And only Connery, *voice burring and features* a-twirl with Celtic mischief, rises above the carnage like the buoyant superstar he is – astonishingly, at 59 – becoming.

★

The oft-filmed thrillers of pulp writer Jim Thompson, author of *The Getaway*, are about the dirt that gathers in the turn-ups of people's moral clothing. Even the best-pressed lives collect grains of corruption; and in Maggie Greenwald's mean, moody and mesmeric adaptation of *The Kill-Off* the dirt spills over and ends in murder.

Dolly Parton and Daryl Hannah in 'Steel Magnolias'

Shot on half a shoestring and set in an East Coast resort that resembles Coney Island in a nuclear winter, the film is about six characters in search of an exit door. Young Myra and Bobby want to get out of town with their love and their drugs. Pete and Rags, owner and barman of the town's terminal saloon, want to escape bankruptcy. And dimwitted married man Ralph falls for the saloon's frowzy stripper Danny Lee, who could make a career as the "before" picture in dieting advertisements.

Gathering together all their destinies is Ralph's wife, the bedridden gossip Luane, played with rasping splendour by Loretta Gross. She lies at home knitting: not bedjackets but murder, and using telephone lines for wool. Maggie Greenwald's camera has a high time panning along the wires as a hideous, witchy babble engulfs the soundtrack. Before we are five minutes in, Luane has inspired an incestuous brother and sister to suicide, and by *curtain-time the movie is carpeted* with corpses.

It could only happen in America. (In Britain she would have to deal with British Telecom.) Greenwald's grip slackens only in the last reel, when the movie assumes whodunit shape with the suspects gathered in the darkening saloon for police questioning. Since we already know whodunit – "it" being the first and crucial murder – this set-up seems rather pointless. Better to relish the grim command of Greenwald's early scenes and her picture of a seedy, needy town waiting for the Devil to make it an offer it can't refuse.

★

"They're young. They're independent. They live on rooftops." They also dance, fight and deliver terrible dialogue on rooftops. *Rooftops* is a musical cum gang-movie cum *West Side Story* rip-off from *WSS's* very own director Robert Wise. It goes straight into the "Worst films of 1990" file. In a movie seething with cornball cliché, everything is so bad that nothing stands out: although the whole press show audience seemed to enjoy hero Jason Gedrick's line after his attractive timbered residence atop a *Manhattan tenement has been* torched by baddies. "It was only a water tower . . . but I made it my own."

Nigel Andrews

Giselle

SHEFFIELD CITY HALL

Staging ballet's classics for a small company implies not just an acceptance of box office pressure, but an awareness that the presentation must have a point of view. Merely to put on some dwarfish approximation of an opera house production and call it *Giselle* or *Swan Lake* is to cheat the public and the work in question.

In mounting *Giselle* for his Northern Ballet Theatre, Christopher Gable has sought to illuminate the old ballet with his own dramatic sensibilities. The text is respectably the one he knew as a member of the Royal Ballet. The action has been, in the main, skilfully advanced from the usual unspecified Renaissance fancy-dress period to the 1840s, the time of the ballet's creation. The location may still be the Thuringia of the original, but it is strongly influenced, in Roger Butlin's design, by Caspar David Friedrich, and suitably and handsomely so. (The second act forest is especially fine.)

The dramatic impulse of the staging, not always evident at its first performance in Sheffield on Tuesday, seems to be to find an emotional coherence to an action which, with other companies, can appear overstuffed with motivation, or so loosely plotted as to be in danger of disintegration. Gable's intention is well adapted to his dance forces, though it poses real problems as yet for the company's dance-acting skills. But I felt at all times on Tuesday night that I was seeing *Giselle* – which is not always the case with small-scale presentations.

The one serious defect in the first act is a miscalculation in dramatic logic. We accept in the theatre the idea that life continues inside a cottage whose exterior is all that the staging shows us. Gable has decided, for impenetrable reasons, that we must be taken inside Albrecht's abode, must see Hilarion discover clues to his identity, must even see him changing his clothes. So Roger Butlin has provided a kind of drawer that rolls in from the wings, enclosing Albrecht's diminutive apartment, and thus reveals these domestic intimacies. It is risible. The only other passage when our belief is strained is when Giselle in her madness must seek to stab herself with a sword-stick: here the up-dating of the action runs into its one real difficulty.

Production ideas at a first performance are susceptible to change. I hope that Gable and his designer will be able to find a more felicitous means of making this point, and also will be persuaded to less generous with dry ice. Drifting mist, ideal for establishing an atmosphere in Act 2, seeps throughout the staging as if to distract us from the drama.

But these quibbles apart, we can welcome this *Giselle* for its sincerity and for the promise of a company interpretation which will persuade the public of the old ballet's continuing power to touch the emotions. It would be unrealistic to expect those stellar interpretations which are the province of great opera house performance. But, as Ballet Rambert showed many years ago, sensitivity in teamwork can bring extraordinary rewards in a small-scale version. Graciela Kaplan and Duncan de Gruchy, the Giselle and Albrecht on Tuesday, offered performances marked by tender feeling and good manners; Victoria Westall was an imposing Myrtha, leading wilis who wear long shifts like grave-clothes (as did Pavlova's company) rather than the usual tarlatans, to fine effect. The effect will be even more convincing when the second act lighting is calmed down from its present multicoloured vivacity.

Clement Crisp

Karin Vyncke

ICA THEATRE

I menstruate, therefore I dance. Behold the unwritten motto of much choreography. It's there in the rhythm and the dynamics. I am tense; I am wracked; the pain abates; the cycle starts again, maybe differently this time. Ain't (push) life (pull) a (reach) bitch (crash). Come share it with me, barefoot in this trough of pain.

Life, said Pina Bausch in her *Carnations*, is a meadow full of flowers; by the end, the carnation-stage had been trodden to pulp and filth. *Life*, in her *Viktor*, was a deep dirt pit; during the work's course spadefuls of more dirt kept falling down to stage-level. In her *Sacre du Printemps* the floor was all earth; dancers ran barefoot along it and flung themselves to it repeatedly. All these works came to mind during the current dance-theatre show at the ICA, the Belgian choreographer Karin Vyncke's *Sous les vêtements blancs*.

The main stage area is a coop; you see it through wire fencing. Four men strew it with bird-feathers. A few minutes later, from the back of the stage, they pelt the wire with the carcases of dead pigeons. Those that do not stick to the wire lie on the floor. The men advance towards you and open their jackets; and suddenly the breast-pockets of their shirts ooze purple juice, like their hearts' blood. You don't see them again.

Most of the action is for two women. They wear the *vêtements blancs*. They proceed, barefoot, through all the feathers and dead birds. They slump onto each other, move parallel to each other, catch each other, drop each other. The movement is the kind familiar from Bausch and from Belgium's best-known choreographer daughter, Anna Teresa de Keersmaeker: pedestrian, gestural, mechanical. Non-virtuoso gestures and movements are recycled and accumulated. As with Bausch and de Keersmaeker, this language is sometimes taken to masochistic extremes.

You notice, within the movement's spasmodic dynamics, an occasional luxuriance: I glory in my angst. (And the lighting sometimes makes the feather-floor beautiful, like a field of melting snow or spring flowers. Why keep beauty out, after all? It can't help.) So often do the two women – Vyncke and Laura Girotto – crash to the floor or onto sofas that, on Tuesday night, one ripped her skirt and gashed her leg. I dance, therefore I am a martyr. And my martyrdom is my glee. For these two women also direct wide-eyed deadpan looks, and knowing smiles out front to the audience, as in Bausch et al.

The women harp on one motif in particular. They sit, facing the audience, knees together. Slowly, they peel their skirts high up their thighs, then part their legs. (Those who have seen David Pountney's *Rusalka* staging for English National Opera will surely find it hard not to read this separation of the thighs as an image of menstruation.) And all the while, they cast a coy stare at the audience. When one woman performs this routine one last time, a flood of red apples suddenly pours out from between her legs. She picks one up, walks barefoot with it to the wire, takes a bite and then smears the bitten face of the apple down the wire. Meanwhile, her comrade, supine in the feathers, caresses bird-carcases to her bosom.

As wordless theatre, *Sous les Vêtements blancs* is often compellingly horrid. It is the kind of Eurotrash that all theatregoers should sample once. I thrash, I bleed, I roll in feathers, and all for you, you like me but out there beyond this cage.

Alastair Macaulay

ARTS GUIDE

February 2-8

EXHIBITIONS

London

The Royal Academy: Frans Hals – the great retrospective already shown in Washington and due to go on to Haarlem, of the work of one of the greatest painters of the 17th century Dutch school. The Royal Academy. Inigo Jones, *Architect* – a full study and exquisite show of the intimate drawings and designs of the greatest of British architects, *only excepting Sir Christopher* Wren. Daily until February 25, except bank holidays.

Paris

The Louvre. The landscape in Europe from the 16th to the 18th century exhibiting some 150 drawings by Rubens, Brueghel, Poussin, Rembrandt and others. Pavillon de Flore. Closed Tues, ends April 23 (40205151).
Musée d'Art Moderne de la Ville de Paris. Kupka (1871-1957) or The Invention of Abstraction. 11 Avenue President Wilson, closed Mon, ends Feb 25 (47236127).
Musée Carnavalet. Paris in *daguerrotypes* celebrates the 150th anniversary of the birth of photography. 31, rue des Francs-Bourgeois, closed Mon, ends Feb 28.
Institut du Monde Arabe. Egypt. An exhibition of 25 chef-d'oeuvres, including the most recent finds, starts with statues and bas-reliefs. 1, rue des Fosses-Saint-Bernard (closed Mon). Ends March 18 (40513838).
The Louvre and the Chateau de Versailles. David. A retrospective consisting of 84 paintings and 165 drawings is held simultaneously in the Louvre and in the Chateau de Versailles. Louvre closed Tue, Chateau de Versailles closed Mon, both exhibitions end Feb 12.

Brussels

Galerie Isy Brachot, 62a Avenue Louise, works of Joseph Buys. Closed Monday, ends Feb 17.
Musees Royaux des Beaux-Arts, Fondation pour L'Architecture. Delete Isy Brachot – Joseph Beuys, National History museum.
Palais des Beaux-Arts 35th Belgian Antiques Fair – European Antiquities, opens Monday, daily 11.30 – 22.00, Sun 11.00 - 19.00, ends Feb 25.

Rome

Villa Medici and Palazzo Degli Uffici. A homage to Andre Masson: over 350 works by the French surrealist painter spread inconveniently over two sites, connected by a half-hourly bus, Ends Feb 15.
Galleria Nazionale D'arte Moderna. Jean Dubuffet. Drawings, paintings and sculpture from the Twenties up to the last works of the early Eighties, with salient and illuminating quotations from Dubuffet's writings, ends Feb 25.

Milan

Castello Sforzesco. Henry Moore retrospective. 49 sculptures covering the years 1938-1983, the larger of which are seen to excellent effect in the courtyard of the 15th century castle. Ends March 25.

Madrid

Centro de Arte Reina Sofia. Antonio Saura. 70 works by the Spanish artist painted between 1956 and 1985. The exhibition focuses on four themes: Ladies, *Crucifixions, Goya's dogs and* Multitudes. Ends March 19.
Museo del Prado. Following the highly successful Velazquez exhibition at the Metropolitan, the Prado is now host to the largest show to date of works by the great 17th century artist. Ends March 15.

Barcelona

Palau de la Virreina. Meret Oppenheim (1923-1983). Retrospective exhibition. Some 130 works by the German surrealist artist including paintings, sculptures, drawings, objects, collages. Ends March 25.

Frankfurt

Schirn Kunsthalle, Am Römerberg 6. The Surrealists. Around 500 paintings, drawings, photos and objects are on display with works by Masson, Tanguy, Man Ray, Tanning and Ernst. Until Feb 18.

Bremen

Kunsthalle, am wall 207. Gotthard Graubner: Painting on paper. 130 watercolours, gouaches and pictures with a mixture of technique by the 59-year-old artist are exhibited until Feb 18.

Hamburg

Kunsthalle Glockengiesserwall. Ian Hamilton Finlay with works from the French Revolution. Ten of the Scottish painter's projects including reliefs and 40 graphic works are. On show until Feb 28.

Cologne

Museum Ludwig, Bischofsgartenstrasse 1. The most comprehensive retrospective on Andy Warhol, who died in 1987, with around 160 pieces from New York.

Munich

Städtische Galerie im Lenbachhaus. The most complete retrospective of the expressionist painter Karl Schmidt-Rottluff to date with almost 370 works from 70 private and public collections.

Vienna

The Kunstlerhaus is host to Mercury and the Muses, a vast collection of artifacts, documents and objects from Leipzig. Ends Feb 18.

New York

Pierpont Morgan Library. The library's superb collection on Gilbert and Sullivan, including autograph scores and libretti, letters and memorabilia, is the centrepiece of this exhibit. Ends Feb 18.
New York Public Library. Documents of the Abolitionist Movement, including photographs, letters and rare books, display the spirit and drive of the long effort to free the slaves. Ends Sept 15.

London Philharmonic

FESTIVAL HALL

Conducting Tuesday's concert, Kurt Masur was manifestly and exuberantly delighted with his colleagues, not only his soloist Cécile Ousset in Schumann's piano concerto but all the members of the LPO – first-desks, sections, the whole band – in the Seventh Symphony of Bruckner.

Certainly the concerto sounded much better-rehearsed than their Schumann on Saturday (which probably fell martyr to their big Debussy) and Ousset was in splendid form. She and Masur behaved like the closest of partners, and often the result sounded like that; yet there were places where a stitch got dropped in the expressive line, somewhere between piano and orchestra.

Not in the Allegro affetuoso, which found the pianist more generously Romantic than she has usually been in the German repertoire. Everything immaculately graded, of course, and big-boned – miles away from the fashion for playing this concerto as an introspective chamber-piece; but with candid personal feeling, too, which set the seal on an outstanding account. The Intermezzo came nearer to salon-manners, and Ousset and Masur diverged oddly over their *rallentandi* at the close.

The Finale fairly leapt with character, including Masur's surprising soft-brush treatment of the syncopated "march." Ousset's pianism was phenomenal, though inadvertently she highlit Schumann's indulgence in figuration: having executed all those passages with brilliant clarity first time round, she insisted on doing them with the same imperturbable perfection when they recurred. One had the strong impression that Masur would have preferred to let rip. Still, piano-playing of that order offers its own rewards.

Let rip Masur certainly did in the Bruckner Seventh, without either baton or score. It was a far more "subjective" performance than expected, though very well prepared: pugnaciously athletic, bold and free with tempi. The effect was of an pressing sequence of strongly contrasted gestures, many of them cast in unfamiliar lights. Orthodox readings are considerably more hieratic (and allow for more *pianissimo* – though at their most stentorian, the LPO never made a raw noise). It was plain that Masur finds a quite individual sense in the score; one was impressed, without always fathoming exactly what it was.

David Murray

FINANCIAL TIMES

NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
Telephone: 01-873 3000 Telex: 922186 Fax: 01-407 5700

Thursday February 8 1990

The counsel of despair

IN THE Middle East, violence has its own chilling logic. A moment when diplomacy appears to be inching forward is also a moment to fear a horrifying new act of violence by someone with an interest in disrupting the process.

So it was again this week, with the ambush in Egypt of an Israeli tourist bus. The attack, the bloodiest incident involving Israelis on Egyptian soil since the two countries signed the peace treaty in 1979, was evidently timed to cause maximum political harm. The onus is on everyone concerned to ensure the perpetrators do not succeed in this aim.

The Palestinian or Islamic extremists responsible for the attack had two related purposes: to undermine Egyptian-Israeli relations and to upset the faltering diplomacy that optimists call the Middle East "peace process".

On the first count at least, the terrorists seem to have failed. The attack, far from provoking fresh strains in the always uneasy relationship between the Camp David partners, has if anything caused them to close ranks.

Less clear is the likely effect of the incident on current Middle East peace moves, which focus on an attempt to arrange talks between Israel and the Palestinians on an Israeli plan for elections in the occupied West Bank and Gaza Strip.

Even before last Sunday, progress had been glacial. Mr James Baker, the US Secretary of State, who has been trying for weeks to lure his Israeli and Egyptian counterparts to a preliminary meeting to set the terms for a dialogue, has run into procedural obstacles at every turn. The question now is whether the inevitable grief and anger in Israel over the bus incident will serve to kill the process altogether.

It is not that the outlines of an eventual negotiation are obscure. The US, Egypt and the Israeli Labour party – junior partner in the fractious national unity Government – have all long since agreed on the basis on which Israel would talk to Palestinians from the occupied territories.

Local Palestinians, fearful that their two-year-old uprising against Israeli rule is losing momentum, are anxious to keep the prospect of talks alive – and were prudently swift to dissociate themselves from this week's bus attack. Even the PLO, whose leader Mr Yassir Arafat has been co-ordinating closely with Egypt, appears to have accepted the invisible role assigned to it by Mr Baker.

Power struggle

The nub of the problem remains Mr Yitzhak Shamir, Israel's Prime Minister, and more particularly the power struggle which has been unfolding in his Likud party for much of the past year. From the moment Mr Shamir announced his election plan last May, it was clear that he was moving reluctantly under pressure from Washington.

There is not the least sign that he has moderated his view that Israel should keep the occupied territories in perpetuity; indeed, he recently provoked fresh Arab anger by arguing that "a big Israel" was needed more than ever in order to absorb the mounting influx of Jewish immigrants from the Soviet Union.

But he has since been under constant fire from right-wingers for making even the minimal concessions he has so far offered.

Those voices, led by Mr Ariel Sharon and strengthened by the bus attack, will be mounting a renewed challenge to Mr Shamir's leadership at a postponed meeting of Likud's central committee on Monday.

Mr Sharon and his cohorts have no desire to see any Israeli-Palestinian talks. They argue that Mr Shamir's plan, however tightly circumscribed, would lead inevitably to talks with the PLO and ultimately to the creation of a Palestinian state, anathema to the Greater Israel brigade.

Their arguments, like those of the rejectionists on the other side, are a counsel of despair – and especially dangerous at a time when Arab feelings are running high over Soviet Jewish immigration to Israel. Despair may indeed be in order at the dismal prospects for resolving this most intractable of conflicts. But the only option for those trying to prevent more explosions is to preserve at least the notion that progress is possible.

Economic lesson from Ireland

IT HAS taken a long time, but Ireland's decision back in 1979 to break free of the pound sterling and hitch its fortunes to the D-Mark, through its full membership of the European Monetary System, is at last beginning to bear some fruit.

There was a lot of politics in that decision, of course, and during most of the 1980s, as the UK economy prospered and the Irish pound had to be repeatedly devalued against the D-Mark, the pay-off seemed far away.

But recently the Irish currency has been approaching parity with the British pound, and as the UK has encountered an awkward period of stagflation a window has opened for the Irish to feel free to criticise their eastern neighbours.

Thus the Dublin-based Economic and Social Research Institute suggested in its quarterly commentary, published last week, that "with common sense all round" Ireland could avoid the UK's fate. "Even a cursory look across the Irish Sea," it said, "should convince any participant in policy formation of the dangers of excessive short-term growth in the absence of an agreed form of income limitation."

Certainly the grandly-named Programme for National Recovery has helped the Republic to crack the problem of chronic pay inflation, although it is revealing that a country should actually need any kind of formal pay restraint when its unemployment rate is 16 per cent.

With earnings rising at some 5 per cent, and output quite buoyant, wage costs per unit of output in manufacturing are still falling. That enables Irish exporters to accept the appreciation of the Irish pound against the UK currency with some confidence, although the weakness of demand in the UK, Ireland's biggest export market, is going to be a problem in 1990.

This time, however, there is no question of Ireland devaluing in sympathy with sterling, as it did in 1986.

With satisfactory economic prospects elsewhere in Europe, GDP is officially forecast to grow by 4½ per cent in 1990, against 4¼ per cent in 1989, and inflation is predicted to ease to around 3 per cent. The Minister for Finance, Mr Albert Reynolds, was able to celebrate with some modest tax cuts in his Budget last week, cutting the standard rate of income tax by 2 percentage points to 30 per cent and the standard rate of VAT by 2 points to 23 per cent.

But the Republic has a long way to go if it is to succeed in harmonising its tax rates with those of the rest of the Community.

The emigration figures (over 30,000 a year) represent not just jobless seeking work but university graduates fleeing high taxation. With relatively low output per capita, Ireland still endeavours to pay generous social security benefits.

There is also the huge burden from the borrowing spree of the early 1980s.

National debt

Since 1986 government borrowing has fallen from 13 per cent to 2.4 per cent of GDP. But servicing the I£25bn national debt absorbs almost all the yield from PAYE income tax.

A secure position within the EMS has helped Ireland in this respect.

There has been substantial buying of Irish Government bonds by German investors, who have been attracted to D-Mark-linked securities offering a slight yield premium.

But the rise in short-term interest rates to 12 per cent has been disappointing. An important reason appears to have been the need to finance portfolio investment outflows following the partial removal of foreign exchange controls. Interest rate differentials should therefore recover once the one-off portfolio adjustment is complete, but the process may be erratic.

A few years of steady growth could allow Ireland to tackle many of its imbalances, except perhaps the labour surplus. The country will be lucky if external conditions continue to be so favourable, and to that extent its prospects are fragile. But at least it has achieved the transition from high to low inflation, and from a weak to a strong currency, and can transmit the message across the Irish Sea with a degree of satisfaction.

From the British point of view, however, the message is that the transition proved long and hard.

Peter Norman considers the talks on German currency union

A shared D-Mark

The West German cabinet's decision yesterday to support immediate talks with East Germany on setting up a currency union will have far-ranging repercussions beyond the borders of the two German states.

Prices of the West German bond market fell sharply yesterday providing a timely warning that the closer ties between East and West Germany will mean higher D-Mark interest rates.

Higher German interest rates are almost certain to have an impact on nations that are outside the EMS's fixed but adjustable exchange rate regime. In the exchange rate mechanism of the European Monetary System, the Bank of France was believed to be intervening to support the French franc against the West German currency yesterday.

And the financial markets' reactions to developments in eastern Europe could well play a big in determining the shape of Britain's Budget, due on March 20.

The prospective path and timing towards a unified German currency remain extremely vague following yesterday's West German cabinet decision. But governments in Bonn and East Berlin are being propelled forwards by events outside their control, which are outflanking the delaying instincts of the Bundesbank in Frankfurt.

A month ago, any suggestion that currency union would be the subject of an offer of talks by Bonn before East Germany's first democratic election would have been dismissed as fanciful.

The speed of events since then, including the bringing forward of that election to March 18 under pressure of demonstrations in East Germany and Bonn's decision yesterday, must now cast doubt on the timing of proposals put forward by Mr Helmut Haussmann, the West German Economics Minister, to phase in currency union over a period as long as that to the end of 1992.

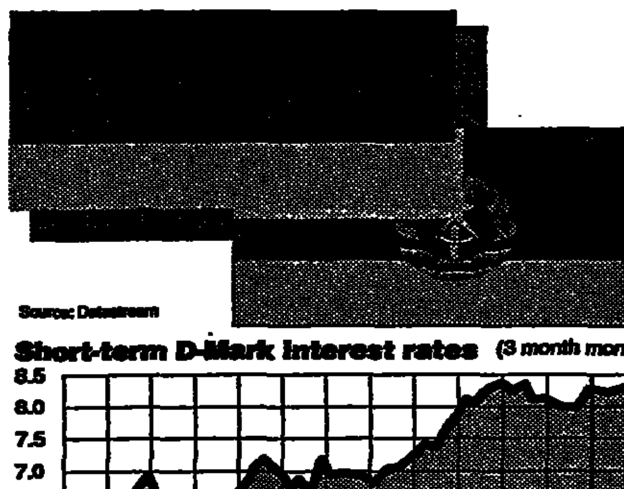
Conventionally, currency union is seen as the final stage of a lengthy process of economic integration, as in the Delors Committee programme for economic and monetary union in the European Community.

Currency union between the two Germanys would bring together two states which are economically more divergent than the economies of West Germany, the Community's most powerful economy, and the poorest EC members, Portugal and Greece.

But the crisis in East Germany and the political pressures that it is creating in the West are forcing much more radical progress.

East Germany is simply running out of time as fast as it runs out of people.

Since the opening of the border between the two Germanys last November, East German workers have been able to move westwards in search of a better life and benefit immediately from West Germany's generous social security provisions. Some 58,000 did so last month alone, draining East Germany's enterprises of labour and putting an increasing strain on West Germany's social services.



Fearing a backlash among West German voters in the general election at the end of this year, Chancellor Helmut Kohl has every incentive to take measures to keep East Germans at home.

With this in mind, one European central banker yesterday suggested that the Bonn cabinet's decision could be simply a "political trick" to win time by holding out hope among East Germans of better times ahead.

The need to win time is highlighted by the likely complexity of any comprehensive plan for moving towards currency union. The three-point plan for currency union advanced by Mr Haussmann earlier this week marked out a programme of radical changes in East Germany that would be difficult to introduce overnight.

In their first stage, the Haussmann proposals envisaged fundamental reforms such as permitting entrepreneurship, private ownership of the means of production, freedom for foreigners to invest in East Germany, gradual easing of wage and price controls, the creation of a commercial banking system, the abolition of the state's foreign trade monopoly, the reduction of the large liquidity overhang denominated in East German marks and transition to a realistic exchange rate for the East German mark.

The second phase of this plan envisaged the exercise of an anti-inflationary economic policy in East Germany including budgetary discipline, the liberalisation of as many prices as possible, the creation of a capital market and a joint internal market between the two Germanys, and the linking of the East and West German marks with full convertibility and liberalisation of capital movements.

In the third phase, the two countries would create joint institutions to manage economic or monetary policy or the adoption by East Germany of the D-Mark.

As the Haussmann plan was being put forward, however, Mr Theo Waigel the West German finance minister was arguing that events were moving so fast in East Germany that a rapid substitution of the D-Mark for the East German mark would be unavoidable.

Whatever route follows from the Bonn Government's offer on immediate talks about currency union, it is likely to prove expensive for the West German government.

On Monday Ms Christa Luft, the East German Economics Minister, demanded between DM10bn and DM12bn immediately to boost East Germany's economic potential and facilitate the move towards a partially convertible currency.

Next week, the West German cabinet is expected to agree a DM7bn increase in the federal Budget to help East Germany. The increase, which will lift federal spending in 1990 to around DM307bn, will have to be financed by increased borrowing that will raise the federal deficit to DM33.5bn this year from an estimated DM21.5bn last year. This higher borrowing requirement is a sign of laxer fiscal policy and has been one factor behind the recent rise in West German bond yields.

Whatever happens in the proposed talks on currency union, the large scale immigration of East Germans into West Germany and the ever closer economic ties between the two Germanys will act as a further drain on the available pool of capital in West Germany.

As immigrants from East Germany borrow from banks to set up home in the West and West German companies raise funds to invest in the East, the Bundesbank is expected to keep a tight rein on money supply to curb inflationary pressures in the West German economy.

While the liberalisation of eastern Europe has given a big boost to West German economic activity and morale, its effects will be felt in the wallets of any West German citizen or company that depends on borrowed money. But in a world of free-flowing international capital, the impact of rising West German interest rates will be felt further afield.

Higher German interest rates are likely to subject the EMS exchange rate mechanism to further strains. The EMS has been markedly stable since the mini-realignment of January when the Italian lira was devalued and placed in the narrow 2.25 per cent fluctuation band. Until now the markets have believed the in the French government's determination not to devalue the franc against the D-Mark.

But Mr Giles Keating, an economist with Crédit Suisse First Boston in London, argues that Mr Pierre Bérégovoy, the French Finance Minister, may yet decide to ease his "franc fort" policy if faced with double-digit short-term interest rates in West Germany. In that case, an EMS realignment involving a D-Mark revaluation would follow.

In the case of Britain, which is still not a full member of the EMS, higher West German interest rates could play an important part in framing Mr Major's first Budget.

Until now, the consensus view of the Budget is that Mr Major will aim to tighten fiscal policy, with perhaps a £1bn increase in taxes, in the hope that he might be able to ease interest rates later this year once it is clear that British inflation is on the way down.

Tighter monetary conditions in West Germany could ruin this calculation by making the pound notably less attractive to international investors compared with the D-Mark.

Unless Mr Major were to risk a significant fall in the pound's value that would undermine the Government's anti-inflationary efforts, he might have to keep interest rates higher for far longer than he has admitted – with all that implies for UK businesses and mortgage payers.

BOOK REVIEW

Prism of the Reagan era

WHAT I SAW AT THE REVOLUTION: A POLITICAL LIFE IN THE REAGAN ERA
By Peggy Noonan
Random House, £19.95

Peggy Noonan's speechwriting talents had become so famous by the late 1980s that a Reagan or a Bush speech would be known as a Noonan speech, like a Dior dress or Gucci shoes. She developed and refined George Bush's "Read my lips, no new taxes" pledge of the 1988 campaign and the phrases "a kinder, gentler nation" and "a thousand points of light" in his convention acceptance speech.

Ms Noonan argues that speechwriting cannot be separated from policy: "a speechwriter is obviously not free to invent out of whole cloth, but by articulating a policy he invents it."

Her breezy memoir of her two and a half years in the Reagan White House and on the Bush campaign in 1988 can be enjoyed at several levels, despite her occasional smugness. It is a saga of a working-class Irish Catholic girl from New Jersey who moved from idolising the Kennedys to adoring Reagan. It is a guide to the poetry and frustrations of speechwriting and a vivid account of life in political Washington, much funnier and less vindictive than earlier White House books of the Reagan era.

Above all, the book explores the nature of the Reagan revolution through its central, elusive character. Ms Noonan is fascinated by Ronald Reagan and takes every opportunity to observe him, talk to him and talk about him. Personally decent, Mr Reagan is also portrayed as remote and detached. James Baker is quoted as saying of his former boss "he is the kindest and most impersonal man I ever knew."

Ms Noonan compares the battle for the mind of Reagan to "the trench warfare of World War One: never have so many fought so hard for such barren terrain." She tries to understand the private Reagan, but he seems incapable of reflection. "Where is the anguish that usually comes with greatness?" she wonders.

Reagan won two of the largest electoral landslides in US history. He inspired and brought to Washington eager young supply-siders, anti-communists, and religious fundamentalists. They were the ones who wore Adam Smith ties at working lunches. "No one had intentions, they had an agenda," says Ms Noonan. "There were phrases. Personnel is policy and ideas have consequences and ideas drive politics and it's a war of ideas."

It is questionable whether there really was a Reagan revolution. There has in any event been no electoral realignment to match that achieved by Roosevelt in the 1930s.

The sharpest insights come from a conversation Ms Noonan had with Richard Darman, initially her overall White House boss and now Budget director. Darman is a reluctant hero of the book; an arrogant, roguish uncle protecting the author, offering cynical advice with a twinkle in his eye.

"To understand Reagan," said Darman, "you have to realise he is not a Republican and not a conservative. To understand him you must realise he is a populist, an expression of the American populist movement and spirit." But this did not trigger a deeper response because Reagan was surrounded by people who excluded political newcomers, among them Mrs Reagan and her super-rich coterie.

Noonan concludes that for all his dislike of big government and communism (coupled, paradoxically, with his almost naïve willingness to trust Mikhail Gorbachev), Reagan was not a revolutionary – "he wasn't a missile drawn to the heat of a new idea."

Yet if this ultimately fruitless odyssey for the inner Reagan is the theme of the book, its life comes from the anecdotes. The enemy are the staffers who want to amend Ms Noonan's speeches. One aide took out "read my lips" because lips are organs and there was no history of presidential candidates making personal-organ references in acceptance speeches. Another "pudgy young mover" wanted to amend the ending of Reagan's tribute after the Challenger disaster from "touch the face of God" to "reach out and touch someone – touch the face of God" because he had heard it in a commercial. Ms Noonan vowed to kill if this were added. It was not.

There are memorable sketches of the Reagan circle – the automaton Irangate national security adviser Bud McFarlane (who had decided that "intelligent people speak in an incomprehensible manner"), the cartoon character Ollie North (who lacked "insights into his own weaknesses"), and former chief of staff Don Regan (who could not "resist appearing to be tough and mean").

The flaw of the book is that Ms Noonan comes to accept her self-created image as a celebrity speechwriter whose words were always right. She takes too seriously a remark by Darman at a colleague's farewell party – "it was in speechwriting that the political and philosophical tensions of the Reagan administration were worked out day by day." The speechwriters may have been the prism, but the light came from elsewhere.

Peter Riddell

OBSERVER

New Zealand fling

■ There is a story about New Zealand House in London told by the now Lord Peyton. When he was a Government Minister, he said that discussions on the permitted height of the building took more time in committee meetings than any other subject.

In the end, a building that was tall by the standards of the time went up. Everyone welcomed the splendid view across St James's Park that was offered from the top floor, and wondered afterwards what the fuss had been about.

The party on Tuesday celebrating the 150th anniversary anniversary of the treaty with the Maoris, however, was held on the ground floor. This was not because there were so many people that the top floor would not hold them. Bryce Harland, the High Commissioner, says that the ground floor, containing the ballroom, is the grandest of the lot.

Harland produced not only Mrs Thatcher, but her four predecessors as Prime Minister: Lords Callaghan and Wilson, Edward Heath and Lord Home. Practically all senior members of the Cabinet, past and present, were there, though interestingly enough, not the more junior members. The Bank of England was out in force; so were the Permanent Secretaries of Government Departments.

Mrs Thatcher told a story about the grandfather of her husband who went to New Zealand to make his fortune. His son came back to do the same thing in England and, although he did not quite pull it off, there was a happy ending for her.

Outside, there was a demonstration in favour of Maori rights. The High Commissioner says that it was a one-off, staged affair that disbanded as soon as Mrs Thatcher left. Yet it may be a sign of the times that it was rather bigger than the regular protest outside the South African Embassy not far away. Now that President F W de Klerk has moved, it could be that Maori rights have become the fashionable cause.

It was also the last party to be given in the ballroom before refurbishment. It may be that the building will be sold,in which case it will fetch a high price. But there will also be a political and sentimental loss. The decision lies in New Zealand.

King falls

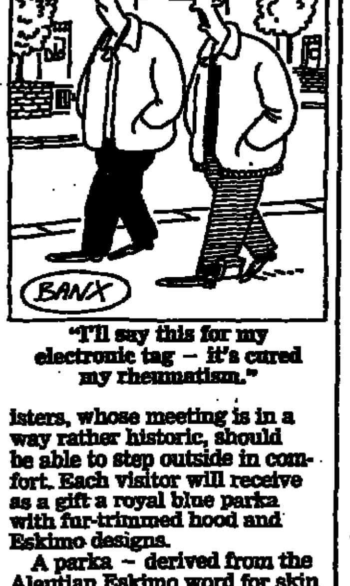
■ Not even Lord King, the chairman of British Airways, can open every door. King has been in Argentina to celebrate BA's return to the Buenos Aires route, and a party of assorted MPs and journalists went with him, including our own pictures editor.

One simple idea was to take a shot of the Argentine President, Carlos Menem, shaking hands with King. This was prevented by the Argentine bureaucracy on the grounds that the photographer did not have the proper accreditation. And there was nothing that Lord King or anyone else could do about it. The lady official who gave the order said that she had been in her job for 32 years and was not changing now.

Free parkas

■ It is not not clear why the Nato and Warsaw Pact Foreign Ministers chose Ottawa for their Open Skies conference on aerial surveillance next week, except perhaps that there is plenty of sky between North America and the Soviet Union. February temperatures in the Canadian capital are usually minus 10 to minus 20 degrees centigrade.

Thanks to the Canadian government, however, the 23 ministers, whose meeting is in a way rather historic, should be able to step outside in comfort. Each visitor will receive as a gift a royal blue parka with fur-trimmed hood and Eskimo designs.



"I'll say this for my electronic tag – it's cured my rheumatism."

A parka – derived from the Aleutian Eskimo word for skin or outer coat – is a heavy jacket with a fur-lined hood worn in winter throughout Canada. In its original Eskimo form, it was made of caribou hide, sewn in a decorative mosaic pattern. These days, most parkas are made from less exotic materials, including synthetics. The visitors are getting a cloth rather than a caribou version, but – hand-embroidered – it is still a present worth having.

While the parkas will be on hand when they arrive, ministers and officials should not forget to take their own ice skates. One of Ottawa's few treats at this time of year is skating on the frozen Rideau Canal. Many of the locals go to work that way.

On the other hand, neither the parkas nor the skates may be necessary. The weather in the last few days has been untypically mild, and the forecast is temperatures well above freezing today, and rain tomorrow.

Hancock's back

■ The man who did more than any other to create the UK's biggest management consultancy business during the 1980s is back in London after three years in America.

Ian Hancock, gently spoken and now with a shock of white hair, was the brains behind turning Coopers & Lybrand from just another accounting firm into the market leader in consultancy almost overnight. His (and Coopers') opportunistic thrust into the market in the early 80s came just as the traditional market leaders appeared to lose their way.

Hancock departed suddenly, at the height of his (and Coopers') success, amid rumours that he had fallen out with the chairman, Brandon Gough. He is back and looking to another business – as the UK head of a young US economic and strategic consultancy, Putnam Hayes & Bartlett.

The firm specialises in the energy sector, but has ambitions to move into growth areas from environmental policy to privatisation in eastern Europe. At present, it has 25 consultants. Hancock regards 50 as the critical mass and will now set about raising the numbers.

New records

■ New entries to the Guinness Book of Records include Lee Wheelis of Texas who spat a melon seed 68 ft 9⅛ in at the Luling Watermelon Seed Spitting Contest, 8,238 participants who held the largest game of musical chairs at the Anglo-Chinese school in Singapore, and R Meenakshisundaram (deceased) who gave the longest known after dinner speech. It lasted 40 hours at Madurai, Tamil Nadu.

ECONOMIC VIEWPOINT

Fiscal puritanism makes a return

By Samuel Brittan

Friends and Neighbours, the taxes are indeed very heavy, and if those laid on by the Government were the only ones we had to pay, we might more easily discharge them: but we have many others, and much more grievous to some of us. We are taxed twice as much by our Idleness, three times as much by our Pride, and four times as much by our Folly; and from these taxes the Commissioners cannot deliver us.
Benjamin Franklin, 1758.

The Institute for Fiscal Studies, in conjunction with Goldman Sachs, produces every year a "Green Budget" for the UK, which is much the best guide available to the options facing the Chancellor. The fact that one one or two senior members of the IFS and Treasury happen to vibrate on the same intellectual wavelength increases the document's value further.

The overwhelming impression given this year is the return of the conventional wisdom. The current balance of payments returns to the centre of attention. So does discretionary fiscal policy. The old discredited phrase "Budget Judgment" is proclaimed once more in the land. As part of the softening up process the Prime Minister has mentioned at Question Time fiscal as well as monetary policy as counterinflationary weapons. The time is thus ripe for restoring the quotation from Benjamin Franklin at the head of this article to its original place in the Chancellor's waiting rom from which it had been removed by Sir Geoffrey Howe in 1981.

So much for the mood. The more prosaic discussion starts from the Treasury's original forecast of a Budget surplus of £14bn for 1989-90. The IFS now expects an outturn of only some £10bn in 1989-90. But most of the factors making for decline – such as the unexpectedly large take up of personal pension plans and the shortfall in National Insurance contributions – are one-off. The Green Budget authors expect another surplus of a similar size in the next fiscal year, even without net tax changes.

Nevertheless they both advocate and predict a discretionary increase of taxation, over and above the indexation of the specific duties and the personal allowances, amounting to £1bn to £1½bn to raise the projected 1990-91 surplus to £11½bn and delay the return to balance.

As all this public discussion feeds into financial sentiment, the Chancellor may have no option but to increase taxes by at least this amount if he is to avoid being written off as a softie by the financial markets – especially if disappointing January and February Exchequer returns suggest a shortfall in this year's surplus below the Green Budget's £10bn.

The advocated changes are too miniscule to affect inflation or the balance of payments, even on the Green Book's own arithmetic, given a GNP of well over £500bn. Moreover, even some believers in fiscal demand management would now accept that a tax increase has little effect if it is expected to be temporary. Yet on the Green Paper arithmetic the advocated tightening would still leave £2½bn of tax cuts in both 1991 and 1992, just before the election.

Will the Chancellor instead try to shock us all by far larger tax increases? To repeat the 1981 fiscal tightening in the case of recession – which provoked 364 economists into protest but is regarded by some keen Thatcherites as the high point of their lives – would involve on today's numbers raising taxes by £15bn.

The analogy with 1981 is however badly misplaced. For in that year sterling really was overvalued and the Government needed a fig-leaf behind which it could nudge sterling dowards. This time – as the Green Budget authors stress – a strong pound is essential to counterinflationary policy. The political pressures are also clearly against any repeat of 1981.

Unfortunately even the very modest tightening in prospect could provide a pretext later in the year for an excessive reduction in interest rates and depreciation of sterling. Entry into the EMS with the pound at just above DM 2.6, in the winter of 1990-91, expected by the Green Budget authors – although far too low a rate – is the best slight hope of damage limitation.

Much the most likely way for a Chancellor to increase his tax-take by Green Budget amounts would be not to index personal allowance in line with inflation. This would bring in about £1¼bn, at the cost of putting more people into the tax net.

John Major will also need at least another £½bn to finance the independent taxation of husbands and wives already in the pipeline. Further increases in tax on company cars could bring in say £¼bn. Why not however go the whole hog and do away with this concession altogether, thus more than paying for independent taxation?

Fiscal tightening could provide a pretext for an excessive reduction in interest rates

The Chancellor has expressed well justified scepticism about savings incentives, but some extension of Personal Equity Plans is on the cards. The IFS is glad to report little prospect of raising the mortgage interest relief ceiling above £30,000, which would provide a stimulus to the better off end of the housing market, which is the last thing the economy needs. I have written earlier that I will judge Mr Major more by how he stands up to pressure to raise the mortgage ceiling than on any other issue. The judgment will not be made until his final budget in the run-up to the election.

Mr Major's best chance of capturing a fashionable mood would be to bring in an environmental budget, even though there is nothing in it from the point of view of fiscal puritanism. (For a package that really raised revenue would also increase the Retail Prices Index).

* * *

Meanwhile let us not overlook some favourable features of the Green Budget economic prognosis, whether or not they are relevant to tax policy. The most important is the healthy expansion of UK export markets as the world boom continues, despite the current US slowdown. The OECD expects markets for UK exports to grow by nearly 7½ per cent in both this year and next; and in the last few years it has underestimated the buoyancy of the world economy.

The current payments deficit stems from excess demand, not an overvalued exchange rate

The Green Book correctly argues that the British current deficit emanates from excess demand and not from an overvalued exchange rate. It expects real domestic demand to fall by nearly 1½ per cent in 1990 and to recover by no more than 2 per cent in 1991. The way should thus be clear for a decline in the current payments deficit, which is expected to fall below £13bn this year and then remain at around 2¼ per cent of GDP, compared with over 4 per cent in 1989.

It is of course impossible to switch resources instantly from the home market to exports or import substitution without an intervening period of near recession. The central forecast, emanating from the Goldman Sachs part of the exercise is that real Gross Domestic Product, excluding North Sea oil, will rise by only 0.1 per cent – that is, stagnate – in 1990 and rise by 2.1 per cent in 1991. This is still hardly disastrous after several years of very rapid output growth.

The authors spotlight two dangers to this moderately reassuring prospect. One is that inflationary pressures prove larger than expected. Pay settlements are a good 2½ percentage points higher than a year ago, even if they have now levelled off, as the CBI Databank suggests at the very high level of 8 per cent before varying amounts of wage drift are added.

Falling profit margins can partially offset lower productivity growth and pay acceleration in 1990. But overseas margins are expected to recover next and pressures on the home market to ease, because of the predicted sterling depreciation. The underlying inflation rate, excluding mortgage payments, is shown by the Green Book authors to rise to peak of 7 per cent in the course of 1990 and then to drop back only slowly towards 6 per cent in the course of next year. These cost pressures are like the grin on the Cheshire cat, reflecting past excesses of home demand and expected future falls in sterling. Altogether the cat has too much cream.

But the more novel risk is on the downside. Stocks are way above trend, measured in relation to output, and the corporate sector is under pressure from, a financial deficit running at £20bn a year. A move to liquidate unwanted stocks holdings could send the economy into a recessionary spiral, but would also bring rapid relief to the balance of payments, involving some months of balance or even surplus.

I cannot however see any British stock recession lasting long against a buoyant or inflationary world background. The worst effects would be the irresistible political pressures it would release for premature and excessive monetary relaxation – pressures which would be legitimised by an overstrict Budget beforehand.

The fiscal fine tuners could be left to fiddle away at their pleasure making little difference either way. The trouble is the illusion that they have an effect. This illusion could give the many covert devaluationists in Whitehall and industry the excuse for which they are looking.

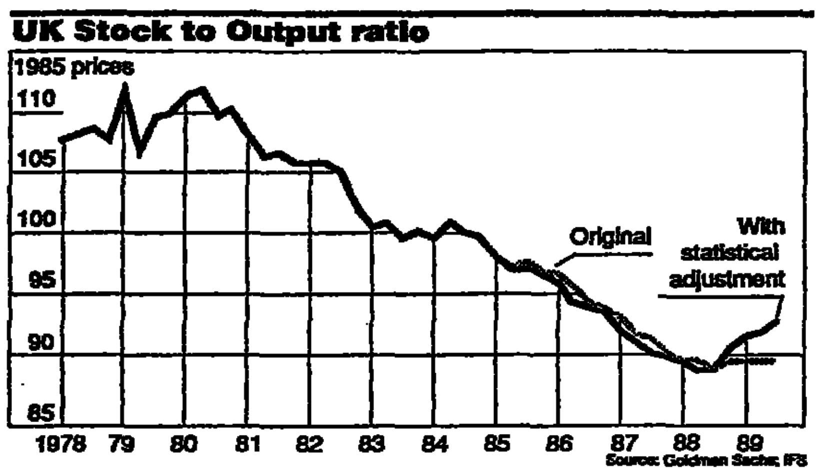
Prospective Budget Surplus

Public Sector Debt Repayment	1989/90	1990/1	1991/2	1992/3	1993/4
1989 Budget projection	14	10	6	3	n/a
1990 Budget projection					
(a) "Easy" option	10	10	6	1984 qtr4=100	0
(b) "Hard" option	10	11½	8	4	1
Tax change under (b)	–	1	–2½	–2½	n/a

Plus equals tax increase above indexation
Minus equals tax cuts

Source: Goldman Sachs; IFS

UK Stock to Output ratio



Source: Goldman Sachs; IFS

LOMBARD

Debt relief and the poor

By Ivo Dawnay

ANOTHER OUTBREAK of agonising over the Third World's crippling foreign debt burden has seized the business press in recent weeks as pundits muse over the merits or otherwise of the controversial Brady initiative. But, for some of those who live in debtor countries, there is once again the feeling that those who favour large doses of debt relief are failing to address a key political aspect of the issue – relief for whom?

The given assumption and principal justification behind all discussions of debt reduction schemes is that they will release more resources for improving the lot of impoverished people. Stop servicing the largely written-off loans of the banks, the argument goes, and the liberated dollars will flow into vital investment and thence, downstream through tax revenues, into the provision of desperately needed schools and medical programmes. This presumes, however, that the relief is being made to competent governments dedicated to social reform. Often, this is not so.

Take, for example, Brazil – both the holder of the Third World's largest foreign debt ($115bn) and infamous for the world's worst wealth distribution profile. The country's 1990 budget showed that, of the total revenues, more than two thirds would be used to service the growing internal debt that has soared to fill the gap left by its public sector deficit. A great deal of government spending goes into subsidies – many of which go to consumption rather than investment. There are also myriad tax exemption schemes and incentives. Revenues or potential revenues therefore are largely redistributed back to businesses whose taxpayer-subsidised profits are then used to buy government debt at real, above-inflation interest rates.

Those whose privileges cause the deficit are also its greatest beneficiaries. Once civil servants are paid, only 25 per cent of the federal government's total resources are left for spending programmes. Even these, moreover, often tend to favour the wealthy. World Bank reports have shown that a disproportionate amount of social expenditure goes to middle class interests like universities and high-tech hospitals at the expense of basic education and health provision. In short, the whole machinery of state is devoted to government by the haves for the haves. The principal moral case for debt relief – to help the poor – is baseless. Indeed, it is arguable that while a tiny proportion of "new money" may fall beneath the rich man's table, such relief merely shores up an unjust system.

All of this may appear like an argument for the orthodoxies of the International Monetary Fund. But cuts in subsidies, deficits and sheer waste do not in themselves guarantee the efficient reallocation of resources in a way that benefits the most needy. Some economists say it would be in the longer term interests of the foreign banks to see the current interest moratorium maintained in order to lift the quality of the country as a debtor via an improved social and political profile.

Then payments could resume. But that bets heavily on Mr Fernando Collor de Mello, Brazil's new reforming president-elect, being able to change radically the archaic model that he inherits.

The politically unpalatable fact is that many countries need either better government or substantially more, not less, conditionality attached to their loans. Yet the left-wing parties whose working-class interests this should serve are easily manipulated by their conservative masters. Any mention of conditionality is greeted with howls against "economic imperialism."

None of the above is a case for maintaining the status quo nor ammunition for intransigence from the banks whose foolhardy lending must take some blame for the current impasse. There *are* sound arguments for Third World debt relief, as there are those against. But for many poor countries debt rescheduling or reduction is meaningless without root and branch political reform.

Relief from bad government should be the first priority.

LETTERS

Employers need to act collectively on pay

From Professor William Brown.

Sir, It is surprising that Mr Banham, the Director-General of the CBI, (Letters, February 5) is so ready to disclaim the function seen as central by the employer organisations of most of Britain's competitors. His member firms may not require lectures on how to raise productivity, but they do need to act collectively if the benefits are not to be squandered in escalating pay rises.

As Professor Layard made clear ("The fallacy about productivity and pay," January 31), there is no necessary relationship between particular pay rises and productivity increases. Employers acquire considerable ingenuity in using pay to cope with the uneven disruption caused to their workforces by the technical change that underlies most productivity growth. The peculiar British difficulty is that our employers do so more generously and less strategically than their overseas competitors. They do so partly because – denied a forum which will assist them to restrain each other – they cannot individually forfeit the goodwill of their workforces by setting examples of pay restraint.

It would be unfortunate if the Director-General were to deride any sort of concerted action by employers as "corporate state mentality of the 1970s." A major weakness of the pay policies of those years was surely not that they involved, but that they excluded the CBI. In the very different circumstances of the 1990s, the CBI will be denying its members one of the more important bargaining advantages enjoyed by their European competitors if it refuses even to contemplate a more collective approach to pay. The "spur of competition" is not enough when one's overseas competitors actively collude with each other to restrain pay.

William Brown,
Faculty of Economics and Politics,
University of Cambridge

From Professor Patrick Minford.

Sir, Professor Layard is right that wages growth in a sector cannot equal its average productivity growth. What happens is that sectors with below average productivity growth are forced to raise prices to match wages elsewhere and will *pro tanto* contract.

Nevertheless, it remains true that in all competitive sectors wage growth will equal the growth of marginal productivity (the productivity of the last man employed). In other words for a sector to be competitive when it faces rising wages it must cut its labour force if it cannot raise (marginal) productivity any other way. When applied to the public sector, this principle means in effect that competitive practices must prevail there. In the crude terms, therefore, that must be employed in popular economic debate, the principle that "wages must be paid for by productivity" is entirely valid.

Patrick Minford,
University of Liverpool

A Soviet and democratic route to market

From Mr David Richards.

Sir, John Lloyd ("Perestroika and the iron hand," January 26) poses the question: the masses in the Soviet Union do not want a market economy, so if we think authoritarian imposition of markets is not necessary, what is the democratic way?

The state owns all the land and natural resources, so it could without prejudice to markets incorporate socialist values by offering each citizen a common entitlement unrelated to individual enterprise.

To create a land market the Soviet state is not obliged to sell the land to private owners. It need only let the land (not buildings and improvements) at market rents determined by competitive auctions. The terms of individual leases must, however, guarantee complete security and freedom of enterprise to tenants in return for frequently reviewed rents.

The rental income could be distributed equally to citizens or used to offset taxation, thus satisfying the first demand of the Communist Manifesto.

David Richards,
Research Officer,
Economic and Social Science Research Association,
177 Vauxhall Bridge Road, SW1

Soccer fans and insurance cover

From Mr Philip Mickelborough.

Sir, The Government might still avoid losing face over the football identity card scheme if it applied the same principles to football as it has elsewhere; self-regulation and market forces.

One possibility would be to make the club responsible in civil law for the activities of its supporters at or around a match; the two sides could share responsibility where allegiance could not be determined.

This would probably be unenforceable on its own, but if a requirement for third-party insurance against those liabilities were added a very effective control would result.

Philip Mickelborough,
39 Kingsbury Street,
Marlborough, Wiltshire

Carli and monetary convergence in Europe

From Professor Roland Vaubel.

Sir, Guido Carli (Italy's Treasury Minister) pleads for "co-ordination, not competition" to bring about monetary convergence in Europe (January 17, 1990).

However, competition is a mechanism of co-ordination (as Hayek has always emphasised). It is a more efficient mechanism of co-ordination than collusion among suppliers. Competition among the suppliers of money leads to convergence at a lower rate of inflation than a cartel of central bankers does.

Guido Carli is right that such competition will "inevitably make monetary management a more delicate task." Consumer sovereignty is never in the interest of existing suppliers. But is this a good reason to restrict the citizens' freedom of choice?

Roland Vaubel,
University of Mannheim,
West Germany

The malign influence of a school-leaving examination at 16

From Mr David Miliband.

Sir, Michael Prowse's persuasive advocacy for tertiary colleges ("An end to educational segregation," February 5) is a welcome contribution to the debate on education and training provision in Britain.

The case for a tertiary college-based system is indeed strong. But successful policy will need to challenge the idea that the two years after 16 are special, either in an education or social sense. This has two immediate policy implications.

First, Mr Prowse suggests that following John MacGregor's commitment to "core skills" after 16, consensus has been achieved on the type of curricula reform required. However, this neglects the malign influence of an exam at 16 (currently GCSE). No other country in the industrialised world considers 16 a suitable age at which to establish a school-leaving qualification. In Britain these exams serve to undermine precisely the participation that tertiary colleges are intended to promote. The message from experts in the field is that until we establish a single qualification at 18 – perhaps modelled on the baccalauréat – no amount of institutional tinkering will solve Britain's educational problems.

A second problem, created by our examination system, concerns the most appropriate age breaks in a tertiary college-based system. Liberated from the confines of a school-leaving certificate at 16, we should think carefully whether an earlier starting age might be more appropriate for tertiary college-based education. The transition from junior to senior high school in the US takes place at 15 and perhaps this model would be more appropriate to a changed educational culture in Britain, in which leaving school at 16 is no longer considered to mark entry to adulthood.

David Miliband,
Institute for Public Policy Research,
18 Buckingham Gate, SW1

FINANCIAL TIMES
Thursday February 8 1990

France asks banks to reveal drug accounts

By William Dawkins in Paris

FRANCE is planning to require banks to call in the authorities if they suspect an account is being used for earnings from drug trafficking, the first practical result of a 15-nation campaign against money laundering.

Mr Pierre Bérégovoy, the French Finance Minister, said he would present a draft law at the next parliamentary session, opening on April 2, to make banks lift their normal secrecy conditions as soon as they suspected wrongdoing. At present, banks can only suspend confidentiality rules without fear of being sued if they are asked by police or customs in the context of an official inquiry.

The new law will bring French rules closer to those in Britain, where banks have been obliged to reveal suspect accounts to the authorities since 1987 when the Drug Trafficking Offences Act came into force. That gave them the legal duty to reveal suspected money laundering, plus protection against breach of confidentiality.

The French proposal follows the completion of a report by officials from 15 western countries, meeting in Paris, on common action to block the laundering of profits from drug dealing. The document calls for a joint evaluation of the methods used to conceal illicit earnings, internationally compatible systems for making legal inquiries and a study of how to boost co-operation between banks and the public authorities involved.

The group was formed last September on the initiative of the Group of Seven nations at their economic summit in Paris in July, but also includes Switzerland, Luxembourg, Austria, Australia, Belgium, the Netherlands, Spain and Sweden. France wanted the report to call for the automatic lifting of bank secrecy in drug investigations, but Luxembourg and Switzerland, with their tough bank confidentiality rules, could not agree.

It is now up to the participating countries to adjust their own legislation within the spirit of the report, which will be sent to heads of government and be on the agenda of the next Group of Seven summit at Houston in the US next summer.

Assuming Mr Bérégovoy's proposal wins parliamentary approval, France and Britain will be the only two of the 15 nations in the group to oblige banks to take the initiative on reporting suspected drug dealers.

Several others, such as the US and Italy, insist that banks must register transactions above a certain size with the tax authorities, but do not ask them to watch out for illicit earnings.

Japanese TV channel will keep expatriates in touch

By Raymond Snoddy, Media Correspondent, in London

LIFE IS about to become a little less strange for expatriate Japanese businessmen in Europe.

From next month they will not have to miss Hagure keiji, Fu-un sanada yukimura or even Soko ga shiritai anymore.

The three favourite Japanese television programmes – respectively The Outlaw Cop, the tales of a famous Samurai warrior and a documentary series called That's What We Want To Know – will be available on Europe's first Japanese satellite television channel.

The test card for Japan Satellite TV (Europe) is already being transmitted from the Luxembourg satellite Astra. Test transmissions start on February 15 and the regular service, which will also include 30 minutes of daily news from Japan, begins on March 1.

The new channel is accessible with a 60cm dish in London, Paris, Brussels or Dusseldorf and an 80cm dish in Warsaw, Madrid or Athens. Apart from being a boon to hard working Japanese businessmen, it will also be useful to Europeans trying to learn Japanese or interested in Japanese culture.

The number of Japanese expatriates in Europe already represents a sizeable – and affluent – minority which is expected to increase in the run-up to 1992 and the single European market.

Mr Michihiro Hirata, a director of Japan Satellite TV (Europe) said yesterday: "More than 100,000 have registered with Japanese embassies but we think there are about 200,000."

The company – which counts Marubeni UK, the British arm of the large Japanese trading company and Mitsukoshi, the Japanese department store chain among its shareholders – will broadcast two hours of programmes daily from Monday to Saturday.

On Sunday there will be three hours of programmes. The hours will be extended if the venture is a success, says Mr Hirata.

London-based Japan Satellite TV (Europe) says it will have available quality television programmes from the six large Japanese networks, Fuji TV, TV Tokyo 12, TV Asahi, TBS, NTV and NHK, Japan's public service broadcaster.

For the first year, the service will be freely available but it will subsequently cost £10 ($17) a month. Advertising worldwide for JSTV will be sold by Media and Air Time Sales, Yorkshire Television's advertising sales company.

In future more and more scattered minorities in Europe will probably get their own language television channels.

BBC programmes are already available to expatriates in Spain and apart from the Japanese channel, there are plans for specialist channels aimed at Asian communities in Europe. A second 16-channel Astra satellite is due to be launched later this year and a third is under discussion.

Washington to upgrade EC status to ambassadorial level

By Peter Riddell, US Editor, in Washington

THE US has agreed to upgrade the diplomatic standing of the European Community by treating its representative in Washington like an ambassador of an independent nation. Previously the EC has had the status of other international organisations.

The change, sought by Mr Jacques Delors, president of the EC Commission, symbolises the much greater importance which the Bush Administration now attaches to the EC and to closer formal ties with officials and politicians in Brussels.

Earlier this week Mr Andreas van Agt, the new head of the EC Commission's delegation to the US, presented his credentials to President George Bush. In the past the delegation head has been accredited to the State Department.

Negotiations over this change in status took about two months and contributed to the six-month delay between Sir Roy Denman retiring as head of the EC delegation last June and Mr van Agt succeeding him last month.

A further problem was that Mr van Agt, a former Prime Minister of the Netherlands, was not appointed until August and there was a hold-up before he left his previous post as head of the EC delegation in Tokyo.

This delay produced some criticism among diplomats of EC members countries that there was no head of delegation at a time of important changes in US-EC relations.

There will now be an increased number of contacts between the EC and the US, both through visits by individual commissioners and in building on suggestions made last December by Mr James Baker, US Secretary of State, for strengthening institutional links and political as well as economic co-operation.

Killings force CRA group to withdraw from Bougainville

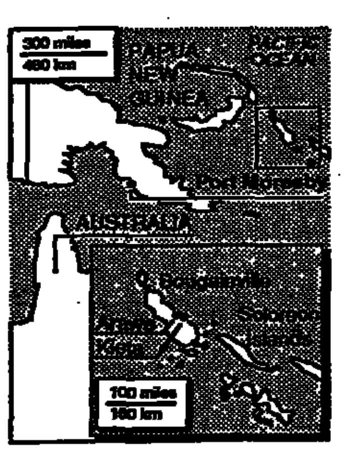
By Chris Sherwell in Sydney

CRA, the Australian resources group, yesterday announced plans to withdraw all its employees from the giant Bougainville copper and gold mine in Papua New Guinea, raising the possibility that the mine might never reopen.

The Australian Government again urged all its citizens yesterday to leave Bouganville. Senator Gareth Evans, the Australian Foreign Minister, said the 600 Australians on Bougainville should leave as soon as possible after flights from the island – suspended on Tuesday because security forces said their safety could not be guaranteed – resumed.

A soldier was shot dead on the island, 500 miles east of the capital, Port Moresby, yesterday. He was the 11th soldier to die there during a 15-month campaign of murder and sabotage by militants seeking permanent closure of the mine, one of the world's largest, and secession from Papua New Guinea.

The mine has been a source of controversy for islanders ever since it began operations in 1972 and has provided a focus for secessionist rebels who want the island of Bouganville to become independent of mainland Papua New Guinea which itself gained independence from Australia



in 1975.

The mine has been shut since May because of the troubles and was mothballed at the end of December. But Bougainville Copper, CRA's 54 per cent-owned subsidiary, is now considering proposals for local contractors to provide surveillance of the company's assets "with a view to withdrawing all our people from the island for the time being."

In the company's first letter to shareholders in six weeks, Mr Don Carruthers, chairman, confirmed yesterday there had been a marked deterioration in security on Bougainville island.

He said employees' safety was the company's first priority and that it now doubted whether they would be safe in Bougainville "over the coming months."

Under a change of operation, a small managerial group would be retained elsewhere in Papua New Guinea to facilitate the resumption of operations as soon as it was safe.

Mr Carruthers' comments coincided with a second day of suspended Air Niugini flights to Bougainville because security could not be guaranteed at the airport near Arawa, the Bougainville capital. Separate reports said all plantations on the island had also closed down.

The Australian Government, which has repeatedly urged expatriates in non-essential positions to leave the island as soon as possible for their own safety, said yesterday it hoped flights to Bougainville would resume today.

Canberra's appeals have hitherto attracted a lethargic response and many extra flights laid on by Air Niugini have departed with empty seats. More than 600 Australians remain on the island and the Australian Air Force has made contingency plans for an emergency evacuation.

Communists abandon grip

Continued from Page 1

immediately. Yesterday's decision must be ratified first by a full party congress – brought forward from October to June or July – and then put into law by the Supreme Soviet and Congress of People's Deputies.

The decision amounts to a considerable victory not just for Mr Gorbachev, who has forced it through against a conservative majority, but a vindication for the last battle of Dr Andrei Sakharov, the human rights campaigner, who died in December after calling a national strike on the issue.

At the time he was denounced by Mr Gorbachev and the entire Communist Party establishment. But yesterday, just two months later, they gave in.

Yesterday's vote came after a string of conservative speeches, openly attacking the party leadership, including Mr Gorbachev, and the reform process of perestroika, for causing a disintegration of the authority of both party and state in the Soviet Union.

At the end of the day, however, party discipline held and the Politburo, including conservatives like Mr Yegor Ligachev and Mr Vitaly Vorotnikov, backed Mr Gorbachev's new party platform.

Mr Vorotnikov confessed that he had been persuaded to accept some of Mr Gorabachev's reforms from a previous position of opposition.

Mr Ligachev also expressed his support for the programme, though with some reservations.

However, he told the plenum: "You have already noted that the political demagogues and intriguers are attacking (Mr Gorbachev), trying to compromise the leader of the party and the state. I think we must give this a decisive rebuff."

In the end, the Politburo united behind the idea that the party must act decisively for reform

With clear allusion to grassroots opposition to the party, manifest in the recent toppling of a string of city and regional party chiefs and a pro-democracy rally which brought 200,000 to the walls of the Kremlin on Sunday, Mr Vadim Medvedev, the party's ideology chief warned:

"Either we prove able to lead a rapid but controlled process of transformation or it will become an uncontrolled deluge."

Mr Nikolai Ryzhkov, the Prime Minister and Politburo member, said that the party could sustain authority only by being seen to lead rather than lag events. "It is already too late to discuss the question of whether a multi-party democracy is needed or not," he told the plenum. "It virtually exists already."

US Treasury tells banks to negotiate solutions to debt problem

By Peter Riddell, US Editor, in Washington

COMMERCIAL banks should not be using the strong reserve positions on their balance sheets "as a screen for failing to negotiate solutions" with debtor nations, Mr David Mulford, the US Treasury Under-Secretary for International Affairs, warned yesterday.

Testifying to a Congressional committee, he noted progress in achieving debt and debt service reduction agreements for Mexico and Costa Rica.

But he added that "good performance deserves support by the commercial banking community. Debtor nations cannot resolve their external debt problems through their own efforts alone."

Mr Mulford argued that banks should not use their large reserves against bad Third World debts as an excuse not to be involved with further debt reduction.

"Perpetual rescheduling, with minimal debt reduction and debt service reduction, can only contribute to future arrears and undermine the reforms needed for sustained growth."

His comments follow warnings from some banks that they are reluctant to become involved in further large-scale debt reduction deals of the kind signed with Mexico last weekend.

Separately, Mr Mulford said that Panama must first eliminate $540m in debt arrears to the International Monetary Fund, World Bank and Inter-American Development Bank before it could benefit from any debt reduction arrangement.

He noted that the US had provided some funds earmarked for reducing these arrears and, combined with money from other sources, Panama would come close to this goal.

● A survey of 1,500 plant managers by Dun and Bradstreet shows the gloomiest short-term outlook since the poll was launched in 1987, with output falling in the current quarter, prices rising and producers striving to pass on rising employment costs, writes Anthony Harris in Washington.

However, the slightly longer-term picture shows a better mix, with some recovery in orders through 1990 as a whole – though the growth projection is still at a two-year low – and reduced price increases leading to a severe squeeze on profit margins.

The new-orders index fell 3 points to a positive balance of 56 per cent, Dun and Bradstreet reports. At this level, demand is seen as too weak to allow producers any hope of being able to make higher prices stick.

Plant managers therefore project the lowest selling-price increases since the survey began by the end of the year – along with record increases in unit costs.

At the same time the National Association of Realtors have reported that sales of existing houses had rebounded by 2.1 per cent in the final quarter of 1989, although sales for the year as a whole were still 4.3 per cent down on 1988.

THE LEX COLUMN

No escape from German bonds

A fortnight ago it was Japan that was worrying the rest of the world's bond markets. Now it is West Germany's turn; and if today's US Treasury long bond auction flops, it could take up the running. If Mr Gorbachev had not survived yesterday's plenary meeting, the global financial markets would have been in turmoil. But the long-term financial implications of the end to Communist domination of the Soviet Union are so subjective that equity markets are rightly much more concerned about the bearish sentiment in bonds for the moment.

West Germany's combination of rapidly falling bond prices, a strong exchange rate and an equity market going up while other world markets have gone down has looked decidedly odd. Something has to give, and yesterday's near 2 per cent drop in the FAZ index comes as no great surprise. Any suggestion that the Japanese are losing their enthusiasm for things West German and the fall-out could be much more severe.

On the other hand, the local bond market may be over-reacting, despite the increasing pressure for early monetary union with East Germany. Bond yields have risen by almost 100 basis points since Christmas, and one has to be exceedingly bearish to believe talk that West German inflation could double to 5 per cent. The sharp correction in global bond markets over the last month reflects rising inflationary worries. But if it continues for much longer recessionary fears are bound to resurface, at least in the US.

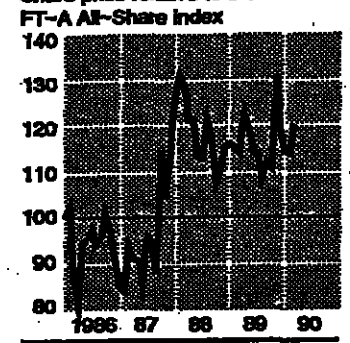
Really Useful

Mr Lloyd Webber's bid to take Really Useful Group private at 233p per share need not be a fait accompli. With Mr Maxwell's stake in the bag, giving the composer more than half the shares, the non-executive directors led by Lord Gowrie are in a weak position, especially since Mr Lloyd Webber's contract with Really Useful finishes in 1992. But Lord Gowrie's camp seems rightly worried about whether that 233p is fair; and Mercury Asset Management, with 17 per cent of the shares, should be bothered too.

It is not enough for Mr Lloyd Webber to say that 233p is more than double the 1986 flotation price, and that Cats is flagging slightly on Broadway. Shareholders have had a good run from capital appreciation and from dividends compounding up at 15 per cent per annum; all the more reason to want to stay in the game.

Really Useful Group

Share price relative to the FT-A All-Share index



At the heart of the matter lies the valuation of Really Useful's copyrights on six Lloyd Webber musicals. According to the flotation documents, the Cats copyright could still be producing income in the second half of the 21st century. Really Useful's shareholders should not accept from Mr Lloyd Webber anything less than a fair present value for those relatively risk-free cash flows. Lord Gowrie must tell them what it is.

Hungary fund

The $100m Hungary fund floated this week by John Govett epitomises the risks and rewards of backing the East European revolution. The opportunity lies in the chance of Hungary regaining economic parity with its neighbour and erstwhile relative, Austria. The risks, as set out with exemplary candour by the fund's promoters, are equally daunting.

Hungarian accounts cannot be trusted, either at the national or company level. The economy is hampered by slow growth, inflation and overseas debt. There is no guarantee that reforms will continue or that Hungarian companies will be able to adapt to them. Since the Hungarian stock exchange has yet to be formally constituted, there is no guarantee of liquidity for the fund's investments. And since 80 per cent of the fund is to go into Forint-denominated securities, the likelihood of inflation in a reformed economy poses a formidable currency risk.

There are some important safeguards. If the stock exchange does not get off the ground, the Hungarian authorities will redeem the investments at net asset value. And provided the investments earn hard currency through exports or tourism – a familiar theme in developing countries – the authorities will partly underwrite the currency risk. But John Govett's own view of the risks are implicit in its fees, which are at the top end of the range for country funds.

Suspended shares

As the BOM Holdings announcement shows, the UK authorities are trying for greater rigour in their investigations of quoted companies. The number of inquiries under the wide-ranging Section 432 of the Companies Act has increased. But in terms of investor protection, this is equivalent to making goalkeepers more efficient at picking the ball out of the net. What is needed is remedial action before companies warrant an expensive and time-consuming inquiry.

Tackling share suspensions could be an important step forward. The argument in favour of suspensions is that they prevent shareholders from dealing in the dark. But that is surely better than preventing them from dealing at all. BOM shareholders have been unable to sell since December 1988; Falcon Resources investors have been adrift since October 1985. While the shares are suspended, investors are powerless. An entire board came and went between Eagle Trust's suspension in May last year and the AGM in December.

Nor has the Stock Exchange any further sanctions beyond suspension. It should be made compulsory for directors to hold an EGM to update shareholders once suspension has lasted, say, a month; and the Exchange should endeavour to provide some basic dealing arrangements beyond that point. Liquidity is always preferable to limbo.

Union Discount

Reports of the death of the UK discount houses are premature. Most of the old privileges may have disappeared, but Union Discount has shown that by dint of sensible diversification and astute dealing it can still make a reasonable return in a hostile climate. A trebling in disclosed 1989 profits to £10.5m is still well short of the glorious returns of 1982; but if the quality of Union's profits really have improved, it may no longer be right to treat the sector as such a financial outcast. Union now looks expensive relative to its peers, but then they may be cheap relative to the market.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	16	61	Dubrovnik	S	4	39	Malta	F	15	59	Rhodes	C	13	55
Algiers	S	20	68	Edinburgh	C	6	43	Manchester	R	7	45	Rio de J'o	F	36	97
Amsterdam	C	11	52	Faro	C	16	61	Manila	C	30	86	Rome	S	14	57
Athens	C	9	48	Florence	S	12	54	Melbourne	–	–	–	Salzburg	S	12	54
Bahrain	S	18	64	Frankfurt	F	12	54	Mexico City	–	–	–	San Francisco	S	6	43
Bangkok	F	33	91	Funchal	S	20	68	Miami	S	19	66	Seoul	S	2	36
Barcelona	S	15	59	Geneva	F	12	54	Milan	S	6	43	Singapore	–	–	–
Beirut	–	–	–	Gibraltar	S	19	66	Montreal	F	-5	23	Stockholm	F	7	45
Belfast	C	5	41	Glasgow	F	6	43	Moscow	C	2	36	Strasbourg	C	12	54
Belgrade	S	10	50	Guernsey	C	12	54	Munich	S	14	57	Sydney	–	–	–
Berlin	S	12	54	Helsinki	S	4	39	Nairobi	F	27	81	Taipei	R	18	64
Biarritz	F	19	66	H. Kong	C	19	66	Naples	S	14	57	Tangier	S	21	70
Bombay	S	32	90	Innsbruck	S	9	48	Nassau	F	29	84	Tel Aviv	F	14	57
Bordeaux	C	15	59	Inverness	S	6	43	New Delhi	F	20	68	Tenerife	S	12	54
Brussels	C	11	52	Islamabad	C	15	59	New York	C	3	37	Tokyo	R	8	46
Budapest	S	10	50	Istanbul	F	7	45	Nice	F	15	59	Toronto	Fg	-2	28
B. Aires	F	34	93	Jakarta	R	29	84	Nicosia	R	14	57	Tunis	F	18	64
Cairo	F	16	61	Jersey	C	12	54	Oporto	S	15	59	Valencia	F	17	63
Cape Town	S	29	84	Jo'burg	–	–	–	Oslo	R	6	43	Venice	C	3	37
Caracas	C	25	77	Lima	F	25	77	Paris	C	11	52	Vienna	S	7	45
Casablanca	S	20	68	Lisbon	C	16	61	Peking	S	2	36	Warsaw	S	10	50
Chicago	C	1	34	London	R	12	54	Prague	S	7	45	Washington	R	7	45
Cologne	F	11	52	Los Angeles	F	10	50	Reykjavik	F	1	34	Zurich	S	11	52
Copenhagen	F	7	45	Luxembourg	C	9	48								
Corfu	S	14	57	Madrid	F	12	54								
Dallas	S	3	37	Majorca	S	17	63								
Dublin	R	7	45	Malaga	S	20	68								

Readings at mid-day yesterday

C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Baker unveils European Magna Carta

Continued from Page 1

stantial progress" was made on a US-UK proposal to enshrine free elections in east Europe; an agreement reducing conventional forces and setting up new arrangements to deter military aggression; and a summit agenda including other proposals, particularly economic.

If these conditions were met, Mr Baker said, the US might consider how CSCE could develop institutions to foster and monitor free elections, security and economics. This was originally a West German suggestion but Mr Baker suggested that all CSCE member states join the US in sending observer delegations to make sure "the people power elections of 1990 genuinely represent the will of the people."

Mr Baker's support for closer regional co-operation in Central Europe suggests that the US is concerned that pre-Second World War animosities could emerge from the disintegration of the Warsaw Pact, thereby endangering stability on the Continent. He stressed that the US was not twisting arms, but "if you do work together, we will respect your decision by providing assistance."

Mr Baker said the US would back Czechoslovak entry to the International Monetary Fund and the lifting of trade barriers to the country's exports, along with other investment incentives.

In addition, the US would support Czechoslovakia's bid to locate the new European Development Bank in Prague and would try to make Czechoslovakia eligible for export credit guarantees.

FINANCIAL TIMES
COMPANIES & MARKETS
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Thursday February 8 1990

INSIDE

IBM welcomes a new addition to the family

IBM has high hopes for the new addition to its extended family. On February 15, the world's largest computer manufacturer will launch a family of powerful small computers which it hopes will restore its fortunes in an area where it has failed to make an impact. The System/6000, code-named Rios, is IBM's latest effort to capture a share of the $6.5bn market for workstations and network servers. This is the fastest growing sector of the computer market, but has been dominated by Sun Microsystems, Hewlett Packard and Digital Equipment. Page 17

Winter of discontent

The experience of the Securities Exchange of Thailand is proof of the adage that all good things must come to an end. After a record-breaking performance last year, the SET has had a harrowing start to 1990. Accusations of market manipulation, growing domestic political uncertainties, the likelihood of higher interest rates and a four-day port strike have contributed to a 17 per cent drop in the SET index from its January 5 peak of 918.67. Page 36

Homing in on the property glut

Mr David Goldstone (left), chief executive of the Regalian property developer, might well have found a way out of the UK housing slump. The group's London offices were yesterday innundated with 500 calls, following news of a scheme to allow hard-pressed buyers to put down a 50 per cent deposit for an immediate half interest in their home. Regalian thus expects to release up to £90m ($153m) of cash presently tied up in residential properties which continue to be extremely difficult to sell. Page 21

Full of eastern promise

The only east European fund to be listed on a leading stock exchange came to the London market yesterday with an offer for subscription to raise up to $100m. The Hungarian Investment Company is the latest in a spate of vehicles to invest in developing countries and one of the first to target eastern Europe following last year's political upheavals. The company plans to invest 80 per cent of its assets in Hungary in local currency securities, reports Martin Dickson. Page 18

New-found oil set to flow

A C$8.5bn ($7.2bn) oil project likely to receive the green light within the next few weeks will be a badly-needed shot in the arm for Newfoundland, one of North America's poorest regions. Construction of a platform on the Hibernia oilfield is expected to start by June 30 and production is due to start in 1996. The Newfoundland Government is confident that Hibernia marks the start of a series of east-coast projects. Page 24

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Falls				**Rises**			
Allianz AG	2765	−	75	CSIP	1335	+	45
Asko Deutsche K	710	−	35	Electrofin'e	958	+	24
Dresdner Bank	429	−	12.5	**Falls**			
Mannesman	372	−	12	BP France	191.2	−	8.3
Metallgesell	662	−	17.5	Locafrance	500	−	23.8
Rosenthal	380	−	17.5	MMB	186.5	−	8.3
				St.Gobain	555	−	20

NEW YORK ($)				TOKYO (Yen)			
Rises				**Rises**			
Campbell Soup	49⅛	+	65⅛	Asano Slate	1270	+	150
IBM	103¾	+	2¼	Dai Nippon Cons	2120	+	300
Tenneco	65⅛	+	1	Kyowa Elect	2840	+	380
Falls				Shin Nippon Mac	2500	+	300
Apple Computer	33½	−	1¼	Tokyo Ramie	925	+	100
NYNEX	79⅛	−	1⅞	York-Benimaru	4080	+	490
Portland Gen.	16¾	−	⅞				

New York prices at 12.30pm.

LONDON (Pence)							
Rises				UK Land	475	+	15
Christies Int'l	317	+	9	VSEL Cons	362	+	7
Grand Metrop	594	+	6	**Falls**			
Hambros	319	+	16	BET	242	−	3
Molins	259	+	9	Brit Aerospace	544	−	3
Regalian	85	+	5	Comm. Union	492	−	13
Really Useful	228	+	10	Gen. Accident	1139	−	24
Reuters	1031	+	10	LASMO	614	−	4
Securicor A NV	816	+	13	Lucas Inds	610	−	2
Security Serv	895	+	12	Rosehaugh	319	−	14
Smiths Inds	250	+	2	Royal Insce	500	−	6
Trafalgar Hse	345	+	5	Scottish Ne Br	537	−	7
Union Discount	603	+	16				

Lloyd Webber to take Really Useful private

By Andrew Hill in London

THERE will be no Final Performance By Popular Demand; Mr Andrew Lloyd Webber, the popular British composer, is to take his Really Useful Group private. In the City of London, if not in the West End, the Lloyd Webber phenomenon seems to be over.

The company, floated in 1986, owns the rights to some of his most successful musicals (including Cats, Phantom of the Opera and Aspects of Love).

However, the 233p-a-share buy-out – which values the group at about £77.4m ($132m), more than twice its flotation price – has irritated the company's non-executive directors and may yet stumble.

The composer has already won control of 52.5 per cent of the shares – his own 38 per cent holding in Really Useful and a 14.4 per cent stake controlled by UK publisher Mr Robert Maxwell. Mr Maxwell wants to continue a business relationship with the composer, for example by exploiting his musicals in eastern Europe.

Mr Lloyd Webber bought Mr Maxwell's holding on Tuesday, precipitating yesterday's announcement. The shares, which stood at about 196p before buy-out rumours began to circulate last October, rose 10p to 228p yesterday. Really Useful's non-executive directors – including such luminaries as Lord Gowrie, the former UK arts minister, and the broadcaster Mr Melvyn Bragg – are annoyed that Mr Lloyd Webber presented them with a fait accompli late on Tuesday night.

They are commissioning an independent valuation of the company's principal assets. The valuation, which should take three to four weeks, will draw on the lessons learned from other copyright valuations, for example in bids for publishers. If it reveals that the rights to Mr

Lloyd Webber: fait accompli

Lloyd Webber's musicals have been undervalued, the minority shareholders could rally to prevent Really Useful dropping its stock market listing.

Mr Lloyd Webber said yesterday that he had decided not to renew his songwriting contract with Really Useful, which expires at the end of 1992. Film was now his chosen medium and he did not want to have to manufacture further musicals simply to sustain the group's share price.

He made it clear that he was not upset with the City, which has seen profits rise at the company from £4.3m in 1986 to £7.4m before tax in 1988-89.

Mr Lloyd Webber is funding the buy-out with a debt facility from his bank, Coutts & Company. Separately, he is supporting Aurum Press, a Really Useful subsidiary, in its attempt to reach an amicable settlement of legal action with Mr Maxwell over an unauthorised biography.

Lex, Page 14; Background, Page 20

Liquidator appointed to Westmex group

By Chris Sherwell in Sydney and Clare Pearson in London

A PROVISIONAL liquidator was yesterday appointed to Westmex. The company is the principal vehicle of Australian entrepreneur Russell Goward and holds 59.6 per cent of Charterhall, the UK shoe retailing, clothing manufacturing and investment company.

Mr Goward, the largest shareholder in Westmex – a diversified investment group – announced the move after the National Australia Bank (NAB) acted to appoint a receiver to Ancol, the biggest Westmex subsidiary which supplies newsagents.

However, Charterhall is retaining the support of the State Bank of New South Wales, its principal lender.

Charterhall, whose shares were suspended in December pending emergency discussions with its lenders, said: "The bank is holding discussions with management regarding the formulation of a new, long-term business plan." The State Bank – where Charterhall's borrowings, guaranteed by Westmex, amount to about £75m ($126m) – is making additional borrowing facilities available.

Mr Goward said in his statement to the Australian Stock Exchange that, with the exception of Ancol, none of the Australian operating subsidiaries were being placed in liquidation or receivership. "They are being allowed to trade in the normal course of business pending further asset sales," he said. Westmex's shares have been suspended from trading.

Earlier this week a bank lenders' moratorium on debt repayments expired, precipitating the latest moves. Borrowings are above A$100m (US$78m) and may be as high as A$300m.

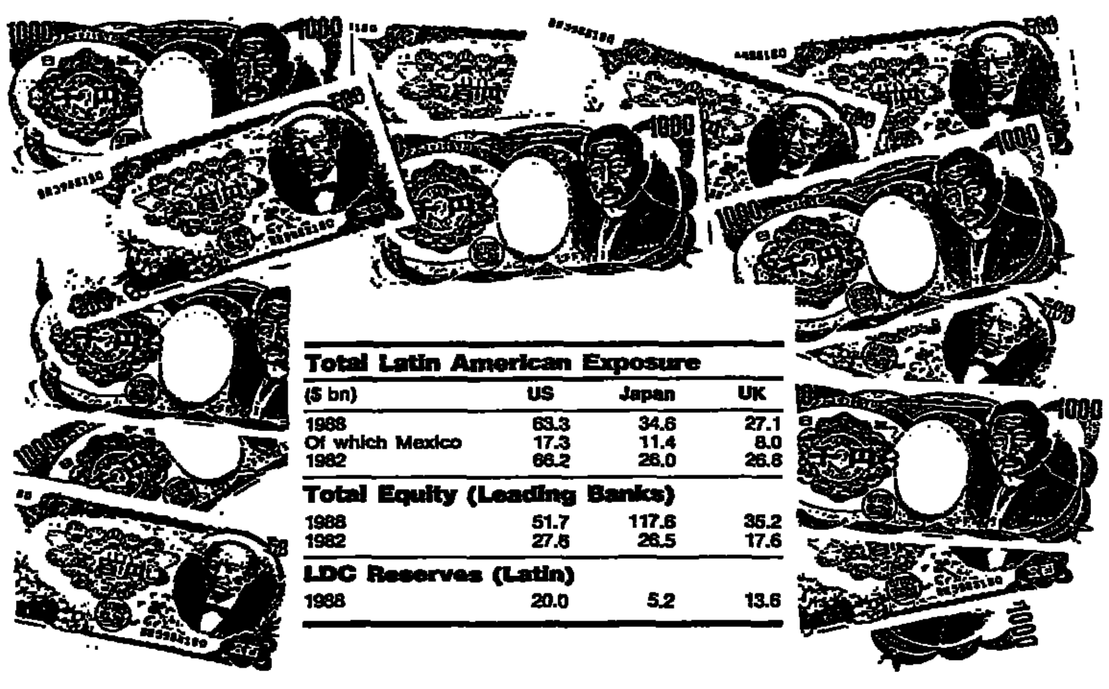
The rapid corporate rise of the 36-year-old Mr Goward has been based on the philosophy of seeking maximum returns from counter-cyclical investments in inefficient and unfashionable businesses.

Charterhall, where Mr Goward took over in 1986 and established a downmarket shoe retailing and clothing manufacturing business, recently called in Coopers & Lybrand, the UK accountants, to report on its operations.

Charterhall's investments in UK companies were put up for sale last year.

Westmex's first signs of trouble appeared last October and coincided with the difficulties of entrepreneurial companies such as Qintex and Bond, a mini-crash on the share market and high domestic interest rates.

The provisional liquidator for Westmex was named as Mr Tony Sherlock of Coopers & Lybrand, while Ancol's receiver is Mr John Murphy of Arthur Andersen.



Total Latin American Exposure			
($ bn)	US	Japan	UK
1988	63.3	34.6	27.1
Of which Mexico	17.3	11.4	8.0
1982	66.2	26.0	26.6
Total Equity (Leading Banks)			
1988	51.7	117.6	35.2
1982	27.6	26.5	17.6
LDC Reserves (Latin)			
1988	20.0	5.2	13.6

Japanese banks escape with cuts and bruises

***Robert Thomson** in Tokyo and **Stephen Fidler** in London report on the near 70% write-off on medium- and long-term loans to Mexico*

The large write-downs on loans to Mexico being prepared by Japanese banks provide compelling evidence of the strength of Japan's financial system. In the first place, the move means that Japanese banks, which largely for tax reasons have lagged their counterparts in Europe and North America in building up cushions against Third World debt, will now be able to overtake them.

The fact that Japanese banks have found a way, at last, of putting the effects of the debt problem behind them has significant potential consequences for the future course of the eight-year-old debt crisis.

The banks, which are writing off up to 70 per cent of Y1,300bn ($9bn) in medium- and long-term loans to Mexico, will rely on their cosy system of corporate cross-holdings and their substantial unrealised gains on stocks to minimise the bruising of the bad debts. Dai-Ichi Kangyo Bank has unrealised securities gains of Y4,850bn; Mitsubishi Bank, Y4,540bn. DKB, the world's largest bank, has a total Third World debt exposure of around Y346bn, while Mitsubishi's exposure is about Y376bn.

The catalyst for the change is a debt restructuring for Mexico, signing of which started last Sunday. It is the first restructuring to incorporate debt write-offs for foreign bank lenders, encouraged and partly financed by governments of industrialised countries.

Twenty-nine Japanese banks face a double hit on their balance sheets. The majority will swap their loans for bonds with a face value of 65 per cent of the value of the debt they replace. On top of that, because the banks are swapping their loans for bonds, which are marketable instruments, they will have to be marked to market prices daily. Current indications suggest that the bonds are now being valued at less than 40 per cent of the face value of the original loans.

Since last March, banks have been allowed by the Ministry of Finance to set a 15 per cent debt provision, on which tax of approximately another 15 per cent must be paid, so the banks generally estimate that their provision is equal to 30 per cent, as the tax paid on it will be refunded after it is utilised.

The Finance Ministry has already indicated to banks that they can raise the provision level to 25 per cent by the end of March, the end of the fiscal year, before which the banks will have sold off shares to cover the outstanding amount of debt write-off, basically wiping the Mexico problem from the books.

An unexpected hitch could be the softness of the Tokyo Stock Exchange, which has been unsettled by political uncertainty, but could recover if the ruling Liberal Democratic Party wins a general election on February 18. However, one bank indicated that when its shares in another institution were put on the market, that institution would be, directly or indirectly, a buyer to ensure that prices remained strong.

Governments of industrialised countries, including Japan, have agreed to issue 30-year zero coupon bonds for Mexico to use as collateral for the new Mexican bonds. Those bonds are expected to be listed in Luxembourg on March 28, giving the banks time to write off the difference in their accounts for this fiscal year.

Mr Stuart Matthews, of Barclays de Zoete Wedd, said the write-off would have little impact on the short-term or long-term profitability of the banks involved and that a downturn in earnings this year was due to an unfavourable yield curve. He said the ease with which Japanese banks were able to cope with such a hefty write-off contrasted sharply with the difficulties faced by US and European banks in handling their Third World debt problems.

Most Japanese banks, bearing in mind the unfavourable interest rate fluctuations and losses on the bond market, reckon that profits this year will fall by 10 per cent in a few cases or rise by a small margin in others. Foreign brokers estimate variously that the earnings of the city and second-tier banks will rise by 15.5 per cent to 25 per cent next year.

The Bank of Tokyo has the largest exposure of Japanese banks to Third World debt at around Y679bn and one of the smaller pools of unrealised gains on securities at Y1,880bn, while share capital and reserves are Y742bn. The bank expects a fall of only around 7 per cent in net profit this year, suggests that the Mexico deal "could prove useful" and has been expanding its international operations in recent months.

It has indicated that its actual provision level is close to 55 per cent of the write-off when the new Finance Ministry debt provision allowance is taken into account. It is also believed that the ministry is considering a tax write-off for some of the loss incurred on the debt swap bonds.

Asked whether the bonds would be disposed of quickly, a senior official at a city bank said the issue had political connotations and that relations with Mexico would be damaged if the bonds were immediately dumped by the banks.

A spokesman for the Federation of Bankers' Associations said that banks could have covered some of the losses by selling tracts of their sizeable land holdings, which were also conservatively valued in the books, but that it was more convenient in the present circumstances to sell stocks.

The longer-term consequences are likely to be on the unfolding of the debt crisis. The big four Latin American debtors are all lining up for deals as dramatic as Mexico's. One for Venezuela is under negotiation. The US is likely to put its weight behind a restructuring for Brazil's new administration, provided there are attempts to put the country's economic house in order. Argentina, too, waits in the wings.

The prospects for new bank lending to Latin America from Japanese banks appear to be receding. There had been disappointment that none of the 29 Japanese banks took an option to make new loans under the Mexican settlement. However, once they had indications of more favourable tax treatment from the MoF, banks decided that they wanted to reduce their share of outstanding debt as much as possible so that their future responsibility would be minimised.

Several Japanese banks indicated yesterday that they would take an unforgiving line on credit to debt-stricken countries. A senior manager at one regional bank characterised some Latin American borrowers as "lazy" and said that his bank would concentrate on countries closer to home. Another said his bank would be reluctant to lend to Mexico.

The other side of the coin is that Japanese banks, while as resistant as any others to taking losses, can now see a way to clear their decks of Third World loans. Since the international community has decided that debt write-downs, rather than new loans, are the way to resolve the debt crisis, the moves in Tokyo, by encouraging this process of controlled default, make a resolution to a lingering problem potentially much closer.

SBC London management in reshuffle

SWISS BANK Corporation is restructuring its top London management following a tumultuous period at the UK division, writes David Lascelles.

Mr Rodolfo Bogni, previously a managing director of Midland Montagu, the international corporate bank, is to succeed Mr Hans de Gier as London chief executive. Mr de Gier becomes president of SBC's international investment banking business.

Last year SBC shut down the bulk of Savory Milln, its UK equities business. The remaining London operation now provides specialised services.

Mr de Gier said a priority was to strengthen ties between SBC's continental European investment banking operations.

Full story, Page 17

Cockerill takes stake in Ymos

By Katharine Campbell in Frankfurt

COCKERILL SAMBRE, the Belgian steel conglomerate, is taking a majority stake in Ymos, a family-controlled car components supplier based in Obertshausen, Hesse, West Germany.

Ymos is one of Europe's largest car component suppliers, with group sales for the year ended June 30 totalling DM637m ($386m). Mr Jean Gandois, chairman of Cockerill Sambre, said the deal represented an investment for the company of between BFr2.5bn ($72m) and BFr3bn for more than 80 cent of Ymos voting shares. The exact purchase price was not disclosed.

Mr Gandois described the move as a significant step in his company's continued industrial diversification within Europe. With a group turnover of BFr200bn for the year to December 1989 and operations throughout Continental Europe, Cockerill felt it was still relatively under-represented in Germany.

Ymos, which last year made a small operating loss, has suffered along with many other car component suppliers from the high levels of investment demanded by its manufacturing customers. Smaller companies find the costs difficult to recoup. Ymos has been looking for a partner for at least a year.

Meanwhile, Cockerill has undergone a massive restructuring programme, bringing the company into profitability after heavy losses in the early 1980s. Still majority-owned by the Belgian state, Cockerill last August raised BFr7bn capital from stock market investors as a mark of its return to health.

The company has been expanding recently through acquisitions in several service-related areas; the Ymos addition provides an important complement to its own auto parts business, through the German company's technological skills. For example, Ymos has invested heavily in a state-of-the-art spraying plant.

At Tuesday's close in Frankfurt, Ymos's ordinary shares were quoted at DM172 with the preferred stock at DM117. In contrast with the ordinary shares, which were largely in family hands, the preferred stock is mainly publicly held. Trading in Cockerill and Ymos shares was suspended yesterday.

The heavy investment programme at Ymos – amounting to some DM600m over the last five years – has taken its toll on the company's bottom line and interest costs last year amounted to DM25m. It paid no dividend to ordinary shareholders for that period.

Its sole foray abroad has been its English operation in Telford, West Midlands. It said that the competitive nature of the industry demanded a considerably stronger non-domestic presence, in terms of sales and production.

Texas Air losses climb as Eastern slips further

By Roderick Oram in New York

TEXAS AIR, the airline holding company controlled by Mr Frank Lorenzo, has reported increased losses for the quarter and year. The poor performance of its Eastern Air Lines subsidiary offset a better performance by its Continental Airlines unit.

The net loss for the three months ended December was $362.8m or $9.17 a share, against a year-earlier loss of $224.4m or $5.78. Revenues fell to $1.73bn from $2.02bn.

The full-year loss climbed to $885.6m or $22.71 a share, from $718.6m or $18.88. Revenues fell to $6.68bn from $8.57bn.

Eastern continued to struggle to rebuild its operations under protection of the bankruptcy court. It was thrown into disarray last March by a machinists' strike and a pilots' walk-out, as they protested against Mr Lorenzo's demands for big wage concessions.

"Eastern's unique situation in 1989 obviously had a major impact on Texas Air's consolidated results," Mr Lorenzo said. "But as Eastern finalises its reorganisation plans, we are confident that a far more competitive airline will emerge."

However, increasing unhappiness among creditors could yet lead to liquidation

Eastern reported a fourth quarter net loss of $282.6m, on revenues of only $482.2m. A year earlier it reported a loss of $101.7m on revenues of $844.4m. For the full year, Eastern lost $852.3m on revenues of $1.5bn.

Continental had a net loss of $56.1m on revenues of $1.2bn in the fourth quarter against a loss of $99.2m on $1.1bn a year earlier, giving it a net net profit for the year of $3.1m against a loss of $315.5m in 1988.

Insurance rule blow to Citicorp

By Anatole Kaletsky in New York

US BANK regulators have told Citicorp, the nation's biggest bank group, that it has to treat its large financial guarantee insurance business as an off-balance sheet liability. The initiative could force Citicorp to choose between raising billions of dollars of new capital or pulling out of the lucrative financial insurance business.

The bank could be forced to sell its two financial guarantee insurance subsidiaries, American Municipal Bond Assurance Corporation (Ambac) and Capital Markets Assurance Corporation (Capmac).

Ambac, which was acquired in 1985 by Citicorp's domestic banking subsidiary, Citibank NA, is the second biggest issuer of credit enhancement insurance to US municipalities. By the end of 1988 it had guaranteed $85bn of principal and interest payments on US municipal bonds.

Ambac currently accounts for 30.6 per cent of the market for this kind of insurance, which enables municipal bond issuers to increase the credit ratings on their bond issues. Capmac provides similar services for corporate bond issuers.

According to correspondence released this week by Senator Steve Symms of Idaho, a member of the Senate Finance Committee, the US Comptroller of the Currency and Federal Reserve Board has stated that the liabilities and capital of Ambac and Capmac would have to be fully consolidated with those of Citicorp.

The implication of the regulators' statements appears to be that Citicorp will have to treat the risks borne by its financial guarantee subsidiaries as banking, rather than insurance, liabilities. As such, the bank may have to set aside much larger amounts of capital to support these risks under the international risk-based capital guidelines which are gradually being implemented by bank regulators around the world. Under the US interpretation of these guidelines, banks will need capital equivalent to 7.25 per cent of their risk-based assets by the end of 1990, rising to 8 per cent by the end of 1992.

According to Financial Guaranty Insurance Company, one of Ambac's principal competitors in municipal credit-enhancement Citicorp would require $3.6bn of capital by the end of this year to support Ambac's business if the Basle definitions of risk-based capital were applied to municipal bond insurance.

DFC lost NZ$667m — statutory managers

By Terry Hall in Wellington

DFC New Zealand, the failed merchant bank, lost NZ$667m (US$401m) in shareholders' funds in the eight months to last November and the total loan loss provision has leapt to NZ$700m, the government appointed statutory managers say in their detailed report to creditors released yesterday.

The bank was privatised and sold to the the National Provident Fund, the former state pension scheme, and Salomon Brothers of the US in May 1988. The directors unsuccessfully sought government financial assistance last October.

The collapse has caus- difficulties between banks in Japan, which were big lenders, and the New Zealand Government because it did not support DFC.

In the consolidated balance sheet in the report the statutory managers, Mr Don Francis and Mr Tom Davies of Deloitte Haskins and Sells, note that at March 31, DFC's shareholders' funds stood at NZ$181.3m. The report discloses that when the NPF and Salomon became aware of the merchant bank's problems in early September, they estimated the deficit on shareholders' funds would be NZ$8.3m by the end of the month.

On October 2 they advised the Reserve Bank that DFC was in an unsustainable trading position without additional equity. They said they were not willing to provide this, and unsuccessfully sought government financial support. Instead the Reserve Bank recommended the appointment of statutory managers.

The managers say that after their appointment, revised figures showed that there was a deficit of NZ$25.8m at September 30. This had grown to a deficit of NZ$485.5m two months later. At a press conference yesterday Mr Francis refused to identify customers involved in the increased bad loan provisioning because of client confidentiality. But he acknowledged that these included around NZ$100m as a result of the collapse of Qintex, the Australian media and leisure group.

The balance sheet showed that the provisions for losses at March 31 were NZ$82.1m. Directors' estimates at September 30 were NZ$45.9m — the subsequent statutory managers' estimate for the same date was NZ$264.8m and the November 30 figure, as calculated by Deloittes, was NZ$700m.

He said that if a forced realisation of assets occured, an option the managers wished to avoid, further significant loan loss provisions would be likely.

The balance sheet at November 30 showed total debt at NZ$2.2bn. Of this NZ$391m was unsecured debt denominated in New Zealand dollars, with most of the international borrowings in US dollars and yen.

He said that he expected a shortfall to all unsecured creditors of 20 per cent. Until present work such as the sale of DFC's off-balance sheet business was finalised, it would be prudent to expect that unsecured creditors would see a recovery of 75 per cent, assuming further losses. Secured creditors would be paid in full.

He said the objective was to maximise the return to all creditors, and to develop options for DFC's future. These included liquidation, an equity injection, continued statutory management, or some form of creditor management. In his report, Mr Francis emphasised that such decisions were up to the creditors.

He said he was opposed to liquidation, as in a difficult environment it would be difficult to maximise asset realisations as many DFC assets were concentrated in specific areas. The report shows that 44 per cent of the loans, or NZ$903m, were in property and tourism.

Mr Francis said it was unlikely to expect that DFC could find equity partners. He did not consider that the company should continue under statutory management, although this was feasible.

Second Apple executive resigns after criticism

By Louise Kehoe in San Francisco

ANOTHER senior executive at Apple Computer tendered his resignation yesterday amid a serious management crisis at the personal computer company.

Mr Jean-Louis Gassée, president of Apple's product division and until last week the number two at the company, will leave Apple "after an orderly transition" has been arranged, the company said.

Mr Gassée, a flamboyant Frenchman, has taken the brunt of criticism for Apple's failure to come up with innovative products over the past two years.

Apple's sales in the US were flat over the critical Christmas period, and the company faces intensifying competition from manufacturers of IBM-compatible personal computers.

Mr Gassée's resignation follows the abrupt departure last week of Mr Allan Z. Loren, president of Apple USA, following a re-alignment of management responsibilities.

The departures both appear to be related to the appointment last week of Mr Michael Spindler, formerly chief of Apple's European operations, as chief operating officer for the entire company, placing him second in command to Apple chairman and chief executive Mr John Sculley.

As part of the reorganisation, Mr Gassée's responsibilities were reduced. Product marketing and manufacturing were handed over to the new chief operating officer, leaving Mr Gassée with product development.

At the company's annual shareholders' meeting last week, Mr Sculley said he would be taking a closer personal interest in product development, raising questions about Mr Gassée's future.

Questions voiced by several Apple employee shareholders at the meeting suggested growing dissension and uncertainty within the company. Apple's USA division has been reorganised six or seven times within the past 18 months, one employee complained.

Another Apple employee questioned Mr Sculley about huge hiring bonuses and "golden parachute" payments to top executives.

Apple recently instituted a cost-cutting programme and said last week that it plans to lay off an unspecified number of staff at its Cupertino, California, headquarters.

Amax slides to third-best result

By Kenneth Gooding, Mining Correspondent

AMAX, the US natural resources group, reported an 80 per cent drop in fourth-quarter net earnings which left its full-year profits down by more than half.

However, Mr Alan Born, chairman, pointed out that it was the third-best financial year in the group's 102-year history. He said Amax had maintained strong earnings and cash flow, reduced its debt:equity ratio from 37 per cent to 31 per cent — its lowest level for 15 years — and increased the dividend from 20 cents a share to 80 cents.

"We are well positioned for the slower economy expected in 1990 and have a healthy balance sheet to support the company's future growth," he said.

For the fourth quarter, Amax reported net earnings of $58m or 67 cents a share on sales totalling $903m, compared with $228m or $3.50 a share on sales of $999m in the last three months of 1988.

Net earnings for 1989 were $360m or $4.19m a share, down from the record 1988 earnings of $741m or $8.42 a share. Sales were little changed at $3.9bn.

The 1988 result included non-recurring gains totalling $288m, whereas gains last year were $19.6m and there were charges totalling $64.2m.

Amax shipped 179,400 tonnes of primary aluminium last year (279,600 in 1988) and 576,300 tons (552,100 tons) of fabricated aluminium.

● MIM Holdings, one of Australia's biggest mining companies, said yesterday that it had built a 4.5 per cent stake in Renison Goldfields Consolidated, another mining concern, AP-DJ adds from Sydney.

Consolidated Gold Fields of Britain, acquired last year by Hanson, owns 49 per cent of Renison and may sell its stake.

US brewer in 13th year of growth

By Karen Zagor in New York

ANHEUSER-BUSCH, the biggest US brewer, yesterday logged a 13th year of unbroken growth with record sales and earnings, in spite of slower growth in the fourth quarter as the company felt the impact of its decision to cut prices on some premium brands.

The St Louis-based company reported net income in the fourth quarter up 2 per cent to $128.1m or 45 cents a share, from $125.5m or 44 cents a year earlier. Sales in the three months increased 5 per cent to $2.31bn from $2.19bn.

For the whole of 1989, net earnings grew 7 per cent to a record $767.2m or $2.68 a share from $715.9m or $2.45 the previous year. Sales improved 6 per cent to $9.48bn.

Mr August Busch, chairman and president, said the company was encouraged by the results of its competitive pricing programme.

"We anticipate that our long-term market share growth strategy will ultimately pay off

Software supplier in red as sales drop

By Roderick Oram in New York

ASHTON-TATE, a leading supplier of software for personal computers, has reported a loss for the fourth quarter and year caused mainly by a steep decline in sales while its dealers worked off excess inventories.

The net loss for the three months ended December was $1m or 4 cents a share, against a net profit of $13.4m or 51 cents, in the previous fourth quarter ended January 31 1989. The company switched to a calendar year-end last year.

The loss for the full year was $28.6m or $1.09 a share, against a net profit of $47.8m or $1.83 in the year that ended in January.

Most of the red ink came in the third quarter ended September, with a loss of $19.4m.

The company struggled last year with excessive inventories of the latest version of dBase IV, its popular spreadsheet program which constitutes most of its sales.

It had over-estimated demand and was forced to substantially reduce dealer stocks through measures such as write-offs.

"The losses for the year and fourth quarter were primarily due to reduced revenues," said Mr Edward Esber, chairman.

NEI subsidiary buoyed by rise in private investment

By Jim Jones in Cape Town

THE SOUTH African subsidiary of Northern Engineering Industries of the UK was helped last year by firm fixed investment spending in the private sector.

Turnover rose to R587m ($183m) from R439m and pre-tax profit increased to R59.6m from R50.5m. However, a higher tax charge led to a drop in bottom-line earnings to 519.7 cents a share against 527.6 cents. The year's dividend is unchanged at 211 cents.

Mr "Blitz" Bieber, the chief executive, says exports have increased particularly well and sales to Africa, the East and Europe now account for 7.5 per cent of total turnover. The forward order book is described as strong.

● Messina, the South African mining company, has sold its copper and coal interests in a management buy-out, saying it is to concentrate exclusively on its platinum interests. The management consortium has paid R11.5m for the veteran mining rights.

Packaging group declines

By Maggie Urry

LAWSON MARDON, the packaging and printing group with operations in Canada and Europe, suffered a 37 per cent fall in net income during 1989. Net income for the year was C$26.4m (US$22.2m) or C$1.45 a share, down from C$41.9m or 92 cents. Sales for the year slipped to C$997.7m from C$1.11bn.

Mr Lawrence Tapp, president and chief executive, blamed the fall on the rise in the Canadian dollar against other currencies, the increase in the group's interest charge on a higher level of debt, and the costs of restructuring the North American operations to be more competitive in the new free trade environment.

Fourth-quarter net income fell by 13.7 per cent to C$8.2m or 29 cents a share from C$9.5m or 33 cents.

Polaroid income improves despite sluggish sales

By Karen Zagor

POLAROID, the US photography group, reports improved income for the fourth quarter and year, although sluggish consumer spending resulted in essentially flat sales in both.

The Massachusetts company's net income for the three months ended December 31 was $46.5m or 72 cents a primary share, against a loss of $7.5m or 10 cents in 1988.

The 1988 results included a pre-tax charge of $54.9m, connected with restructuring and the company's defence against a $2.8bn hostile takeover bid by Shamrock Holdings, a private investment group led by Mr Roy Disney. Polaroid paid Shamrock $20m in late March in exchange for an agreement under which Shamrock would refrain from seeking control of Polaroid for 10 years.

Sales in the quarter inched up to $538.1m from $533.2m in 1988.

For the full year, net income was $145m or $1.96 a share, against a loss of $22.6m or 34 cents. Sales of $1.90bn were a little up on the $1.86bn in 1988.

Results for 1988 were affected by a pre-tax charge of $151.9m connected with the restructuring and bid defence, while the 1989 earnings include a pre-tax charge of $40.5m, primarily from Shamrock litigation expenses.

Johnson & Johnson 11% ahead

By Karen Zagor

JOHNSON & Johnson, the US health and household products group, has reported an 11 per cent increase in net earnings in 1989 led by strong growth in pharmaceuticals.

Net income in the fourth quarter increased by more than 10 per cent, in line with market expectations, to $203m or 61 cents a share from $184m or 55 cents a year earlier. Sales in 1989 increased 12 per cent to $2.47bn from $2.2bn.

For the whole of 1989, net earnings grew to a record $1.08bn from $974m a year earlier. Earnings per share advanced 14 per cent to $3.25 from $2.86 a year ago. Sales improved 8 per cent to $9.76bn.

The consumer business, which includes healthcare and baby products, produced a 6 per cent rise in worldwide sales to $3.91bn. Although international sales improved 10 per cent to $1.95bn, thanks largely to improvements in the Brazilian economy, US sales increased by only 2.6 per cent to $1.96bn.

Pharmaceutical sales were up 13 per cent at $2.65bn.

Coke unit posts A$87m net profit

By Our Financial Staff

COCA-COLA Amatil, the Australian beverage group which last year sold its tobacco interests, has reported net profits of A$86.9m (US$66.8m) for 14 months to December on sales of A$2.65bn.

Although the figures are not directly comparable with those for the previous 12 months, the latest period represents a slip in profit:sales ratio from 1988, when A$90.26m was earned from turnover of A$2.28bn.

The company is 59.5 per cent-owned by Coca-Cola of the US, following a deal whereby Amatil, then an affiliate of the UK's BAT Industries, spun off its cigarette side as W.D and H.O Wills, controlled by BAT.

Coca-Cola Amatil is holding its dividend at 14 cents, paid from net earnings of 72.1 cents per share compared with 1988's 68.2 cents.

GTE jumps 20% in last quarter

GTE, the largest US telecommunications group outside the Bell system, completed a year of steady growth by reporting record earnings and sales for the fourth quarter and full year, writes Karen Zagor.

Net income for the three months ended December 31 jumped 20 per cent to $392m or $1.15 a share, from $326m or 96 cents a year ago. Revenues grew 7 per cent to $4.6bn from $4.3bn.

For 1989 as a whole, net income improved 16 per cent to $1.4bn or $4.16 a share, from $1.2bn or $3.58 in 1988. Revenues increased 6 per cent to $17.4bn from $16.5bn.

Revenues from telecommunications products and services increased 9 per cent in 1989 to $9.2bn from $2.6bn. Excluding an extraordinary charge in 1988, revenues increased 16 per cent in 1989, reflecting higher sales of, for example, government communications systems and mobile telephone services.

Operating income rose 21 per cent to $128m.

Barrick keeps faith with hedging policy

By Bernard Simon in Toronto

AMERICAN Barrick Resources will stick to its policy of hedging a large part of its gold output, despite a more favourable outlook for the bullion price, Mr Peter Munk, the company's chairman said yesterday.

About 95 per cent of this year's production from the six mines in which Toronto-based Barrick has an interest has been hedged at an average minimum price of $421 an ounce. While it has protected itself in this way against any drop in the gold price, Barrick said that, thanks to its use of put options, three-quarters of its production would benefit from an increase in the gold price up to $507 an ounce, and 36 per cent over $507.

The extensive use of hedging allowed Barrick to realise an average price of $436 an ounce last year, compared to the free market average of about $380.

Mr Munk said that the upheavals in eastern Europe have transformed his previously pessimistic views on the gold market. He predicted that European countries' gold reserves would play a key part in gaining wider acceptance for their currencies. Barrick said it expects to produce 565,000oz of gold this year, up from 468,000oz in 1989. It is aiming for output of more than 1m oz by 1992, following completion of a big expansion programme at its Goldstrike mine in Nevada.

Goldstrike produced 207,000oz last year at an operating cost of $170 an ounce. Its output is expected to rise to 330,000oz this year.

The company's chief financial officer, Mr Jeremy Garbutt, said financial plans would continue to be based on a mix of hedging, equity funding and gold-linked financings. The reliance on gold loans held Barrick's average borrowing costs to a mere 3 per cent last year with a $30m savings in interest costs.

Esselte staff attack LBO due from Mobilia

By John Burton in Stockholm

THE ORGANISATION representing employees at Esselte, the Swedish office supplies and media group, has criticised a proposed leveraged buy-out of the company expected to be announced today.

Trading in Esselte shares was suspended on Monday on the Stockholm stock exchange amid speculation that its principal shareholder, the holding company Mobilia, controlled by the brothers Gerhard and Peo Lindholm, is planning Sweden's biggest LBO to data.

Esselte has a market value of SKr8bn ($1.3m), but analysts believe selling off individual parts of the company could fetch a much higher price.

A statement issued by the employees' organisation, including the six union representatives on the board, described the expected LBO as a "financial attack without precedence in Swedish business."

It accused the Lindholm brothers, who own 37 per cent of Esselte's voting rights, of planning to obtain "short-term profits by dividing up and selling" various parts of the company, which claims to be the world's biggest supplier of office products.

In 1988 Esselte had sales of SKr14.4bn and pre-tax profits of SKr921m after financial items. During the past decade it has shifted from its dependence on the printing and graphics business into such areas as office equipment and the pay-TV channel, Filmnet.

SBC restructures London division's top management

By David Lascelles, Banking Editor

SWISS BANK Corporation is restructuring the top management of its London operations.

Mr Hans de Gier, the Dutchman who has been responsible for reshaping the division following the decision to cut back the UK securities activities last year, is to become president of the bank's international investment banking business.

He will be succeeded as London chief executive by Mr Rodolfo Bogni, previously a managing director of Midland Montagu, the international corporate banking arm of the Midland Bank, where he was in charge of treasury activities.

The changes follow a tumultuous period at SBC's London arm where significant structural changes have been made and a new strategy developed.

These resulted largely from SBC's failure to make a success of its entry into the UK equities business through the acquisition of Savory Milln, the stockbroker.

Last year, the bulk of the operation was shut down with the loss of over 100 jobs. The remaining London operation was also changed from a UK-incorporated subsidiary into a branch of the parent bank to give it the backing of the parental balance sheet.

The operations now consist of four main lines, with the focus on providing specialised services rather than a broad range:

- A treasury dealing business, including fixed income and swaps, which is profitable.
- A much-reduced equities business which now concentrates on European shares, and serves mainly to support the bank's corporate finance activities. It is currently breaking even but may need further changes.
- Commercial banking where the emphasis is also on corporate finance deals rather than straight lending.
- Corporate finance, mergers and acquisitions.

Mr de Gier, who will retain responsibility for international investment banking, said he believed that as a result of the changes "our guns are all finally pointing in the right direction", though he would like to see them hitting more targets.

The appointment of Mr Bogni marks a further loss for Midland Montagu. Several senior people have left the bank recently, including Mr Ernst Brutsche, the deputy chief executive and Mr David Potter, a managing director.

Itokin sells control of Courrèges to French

By George Graham in Paris and Alice Rawsthorn in London

ONE OF the longest-running feuds in French fashion came closer to resolution yesterday when Itokin, the Japanese clothing company, sold its controlling interest in Courrèges – the Paris fashion house best known for its 1960s sci-fi styles – to a group of French investors.

The investors, led by Compagnie d'Investissement Astorg, an affiliate of the Suez group, hope to bring back André Courrèges, who founded the business in 1961, as its designer. He has not designed for the house since 1985 in protest at Itokin's decision to stop haute couture collections.

Courrèges heyday was in the 1960s with its futuristic collections. The actress Diana Rigg wore its catsuits and boots when she played Emma Peel, the karate-kicking adventuress, in the UK TV series, The Avengers.

Courrèges soon ran into trouble. In 1968 it had to seek the support of L'Oréal, the French toiletries group. Its losses mounted in the late 1970s until, in 1983, L'Oréal sold the fashion business, but kept the perfumes.

Itokin tried to restore the company to profit by cutting costs. Its decision to withdraw from haute couture – where all the Paris houses lose money – led to Courrèges' expulsion from the Chambre Syndicale de la Haute Couture, the exclusive club of top Paris fashion houses, and to the feud with André Courrèges.

Itokin's cost-cutting did not put a stop to the losses, which are estimated to have totalled FFr80m ($14m) in the past five years. In 1988, the last year for which accounts have been filed, Courrèges reported a net profit of FFr876,000 on sales of FFr50.9m, compared with a loss of FFr16.7m in the previous year.

The French investors have agreed to acquire an initial 50.04 per cent of Courrèges, with the aim of eventually taking 74 per cent. They hope to make peace with the Chambre Syndicale, as well as with the designer.

Big Blue puts the byte on workstation market

Louise Kehoe and Alan Cane on IBM's new range

The world's largest computer manufacturer will next week act to boost its fortunes in an area of the computer market where it has so far failed miserably to make an impact.

International Business Machines is to launch on February 15 a family of powerful small computers, System/6000.

Code named "Rios" while in development, the new machines represent the strongest evidence yet of IBM's commitment to common industry standards or "open systems."

The Rios family will use IBM's version of the "Unix" operating system, which seems certain to become the industry standard for small and medium sized computers.

Governments, in particular, are increasingly specifying Unix in invitations to tender for contracts. An industry standard operating system means hardware from different manufacturers can be interconnected and can run software from a variety of sources, so generating cost savings over mixtures of equipment.

"We want to be the world's largest revenue producer in UNIX," Tony Stefanis, IBM executive, told software developers at a recent conference.

The Rios machines, whose launch has been delayed several times, are IBM's latest effort to capture a share of the $6.5bn market for workstations and network servers, computers used by scientists and engineers in workgroups connected by data networks.

This market, dominated by Sun Microsystems, Hewlett Packard and Digital Equipment, is the fastest growing sector of the computer market; it has become particularly important to IBM in the light of stagnant sales of mainframe computers and a slowing personal computer market.

Last year IBM reported pre-tax profits of $3.76bn, a decline of 35 per cent on the previous year. Sales were $62.7bn, an increase of 5 per cent.

IBM has been selling a family of workstations, the RT, since 1985, but has achieved less than a 3 per cent market share, chiefly because the RT machines compared unfavourably in price and performance with the competition. Analysts expect the System/6000 machines to redress the balance: "IBM will finally have a product that can compete in the workstation market after the dismal failure of the RT," Vicki Brown, analyst at International Data Corporation, a market research consultancy, said.

However, IBM has a lot of difficulties to overcome.

"IBM must reverse the negative image it has in the workstation market, " says Ms Brown. "It must build momentum. That is going to be a difficult process."

To win a place in the workstation hierarchy, IBM must persuade independent software companies to develop programs for its new computers.

IBM is expected to announce next week that hundreds of applications programs are being developed for Rios. Most will not be immediately available, but the important question will be whether key software for industrial design, software development and publishing is available.

To win a place in the workstation hierarchy IBM must persuade independent software companies to develop programs for its new computers

Last year US-based workstation manufacturers shipped an estimated 250,000 machines. Ms Brown thinks IBM will ship about 10,000 units of its new computers this year.

Industry sources say six new workstations and network servers are expected in various configurations – desktop, floor standing and rack mounted for industrial applications.

Prices are expected to start at about $12,000-$15,000 for a machine processing 25m instructions a second [Mips] and rise to $55,000 for the top of the range. Mips are a commonly used measure of computing power.

Analysts agree these numbers suggest IBM has developed machines which are competitive and aggressively priced.

They argue, however, it has created problems for itself, as the price per Mips for the Rios workstations is dramatically below the price per Mips obtainable on a mainframe computer or midrange machine like the AS/400.

Industry reports suggest extensive debate within IBM over the effect of Rios on sales of the AS/400. The midrange computer 400 has sold well, but sales have been falling, according to industry analysts.

This internal debate at IBM is said to have been a significant factor in delaying the introduction of Rios.

Others say the price per Mips argument is flawed because the mainframes, midrange computers and workstations are aimed at markets with different functional requirements. They say Rios represents a potent threat to every Unix-based manufacturer.

Workstations get their power from a special kind of microprocessor called a RISC chip, which trades off simplicity in circuit design against complex software and high processing speeds.

The leaders in RISC chips are Sun, Mips, Motorola and Intel. IBM has developed a new RISC chip for the Series/6000 based on what it calls "second generation" technology. Code-named "America," the chips are built into special modules to increase processing speed. The America chip set is said to process data five times more rapidly than a conventional RISC chip. IBM has also developed a new version of its Unix software for the Series/6000.

IBM will have to find new sales channels for the new workstations. It is expected to use a network of companies which take basic machines, adding special software and peripherals to meet their customers requirements (value added resellers).

IBM faces a major challenge as most of the major value added resellers are companies already committed to others and unable to support more than a few different computer designs.

There is also a growing threat from Japan. Sony, the consumer electronics giant, is targeting the workstation market for a broad thrust into computers and has launched a range of impressive machines.

Scania plans third truck plant

By Kevin Done, Motor Industry Correspondent

SCANIA, the Swedish truck and bus maker, is to build a third European truck assembly plant as part of its plans to increase truck-making capacity in Europe by around 50 per cent between 1990 and 1992.

Mr Leif Ostling, general manager of the Scania division of Saab-Scania, the Swedish automotive and aerospace group, said the company was considering sites in the UK, Spain and France.

A decision on the location of the plant, which would have a capacity to assemble between 6,000 and 7,000 trucks a year, is expected in the autumn. The staged investment could total as much as $50m and Scania hopes to have the plant in operation by early 1993.

Scania is planning to invest around SKr1bn ($163m) over the next three years in Europe to increase its annual capacity to 45,000 from 30,000 at present.

More than half the expenditure will be made in Sweden to expand its facilities for producing engines, gearboxes and axles.

Scania's two European truck assembly plants in Sweden and Zwolle in the Netherlands will also be expanded.

Scania is the world's fifth largest heavy truck maker (above 15 tonnes gross vehicle weight) behind Daimler-Benz of West Germany, Volvo of Sweden, and Paccar and Navistar of the US.

- Peugeot, the French vehicle group, said consolidated revenue for 1989 rose by 10.5 per cent to FFr152.9bn ($26.3m) from FFr138.4bn a year earlier, AP-DJ reports.

Paribas bids for feed producer

By William Dawkins in Paris

PARIBAS, the French investment bank, yesterday launched a FFr2.8bn ($493m) full bid for Guyomarc'h, a producer of animal foods, which will allow the Paris institution to double the size of its FFr2bn agri-food portfolio.

The bank has agreed to pay roughly FFr1.5bn for 54 per cent of Guyomarc'h, which employs 6,000 people and is based in Brittany.

Paribas is paying FFr564 per share, valuing the group at 18.8 times this year's forecast earnings, and is offering the same price for the minority stake.

Paribas' majority stake in Guyomarc'h comes from Louis Dreyfus, an unquoted commodities trading group.

Guyomarc'h's annual sales have risen from FFr1.8bn to FFr7.7bn in the 10 years to last December. Net profits have climbed from FFr17m to FFr111.7m.

The deal offers some consolation for Paribas after its failed FFr26bn bid for Navigation Mixte, the diversified food to financial services group.

US bank boosts Dutch activities

By Laura Raun in Amsterdam

CHASE MANHATTAN Bank, the US bank, is beefing up its activities in the Netherlands after cutting them in 1987.

The present representative office is being upgraded into a bank to advise and assist in domestic Dutch and cross-border mergers and acquisitions, financial structuring and investment financing.

Mr Willard Butcher, Chase chairman, said in Amsterdam yesterday the subsidiary would operate as an intermediary rather than as a "repository of deposits," thus only a modest balance sheet total of around Fl 17.5m ($9.3m) is expected by the end of 1990.

"Chase's European strategy for 1992 will focus on corporate finance and investment banking, utilising the bank's core strengths of its mature global network and considerable balance sheet," Mr Butcher said.

In line with this strategy Chase sold its Dutch subsidiary, Nederlandse Credietbank to Crédit Lyonnais in 1987.

Hafslund held to 37% by Nycomed Pharma

By Karen Fossli in Oslo

HAFSLUND Nycomed, Norway's second largest publicly quoted company best known for its X-ray contrast media, yesterday announced a 37 per cent increase in 1989 pre-tax profits to a record NKr968m ($149m).

Operating revenue reached NKr2.97bn versus NKr2.611bn in 1988 though sales growth was marginally lower in 1989.

Operating profits rose 21 per cent to NKr956m in spite of research and development expenditure of NKr290m, up from NKr212m the previous year. The pharmaceutical industry, Hafslund's growth area, accounted for 73 per cent of operating profits.

Nycomed Imaging posted an increase to NKr703m from NKr553m; Hafslund Energy energy rose to NKr183m from NKr162m; while metals posted an increase to NKr78m from NKr68m.

Nycomed Pharma slipped to NKr35m from NKr38m in 1988 because of weak sales development in the first half-year and higher research and development costs.

Bang & Olufsen up by DKr24m

BANG & OLUFSEN boosted pre-tax profits in the six months ended November from DKr2m ($300,000) to DKr26m, and sales by 22 per cent to DKr1.18bn, writes Hilary Barnes in Copenhagen.

The company was helped by the launch of audio products and the introduction in the US of the company's television and video products. The sales increase was mostly due to an increase in volume, said the group.

Demand in some markets has turned downwards and the second half is therefore expected to be weaker than the first, said the company.

INTERNATIONAL APPOINTMENTS

Debt restructuring chief at Citibank is promoted

By Stephen Fidler, Euromarkets Correspondent

CITIBANK, the leading US commercial bank, said yesterday that Mr William Rhodes, head of the bank's debt restructuring committee, would be promoted and assume responsibility for the bank's entire cross-border loan portfolio and its relations with international organisations in Washington and worldwide.

Mr Rhodes, who takes the position of senior executive – international, has been a leading bank negotiator in the resolution of many debt restructurings involving large third world debtors over the last seven years. He led the bank negotiators in the complex Mexican bank debt restructuring currently being signed.

His day-to-day responsibility for debt restructurings will be assumed by Mr Robert McCormack, a vice president who has been on the bank's restructuring committee since 1987. He will report to Mr Rhodes.

Mr Rhodes stated that he would not be leaving the debt arena, which continued to be an important issue at the bank. "I will still be spending a large proportion of my time associated with it," he said.

He would be less involved on a day-to-day basis with restructuring talks, although he expected to spend significant time on likely talks over the next year between Brazil and Argentina and their banks, but would also look at eastern Europe."

Management shake-up at BNE unit

BANK OF New England, the troubled Boston-based bank suffering $1.5bn in property losses and whose highly acquisitive and expansion-minded chairman and chief executive, Mr Walter Connolly, has been dismissed, announced further departures from the company and a restructuring of senior management at Bank of New England N.A., its main banking unit.

Mr Richard Driscoll has resigned as chairman of the unit and vice chairman of the parent company at the request of the company's board.

Taking over as president and chief operating officer of Bank of New England N.A. is Mr Leo Breitman, while assuming the titles of chairman and CEO at this banking unit is Mr H. Ridgely Bullock, the parent's recently appointed interim chairman and CEO.

The following have left the company: Mr M. Thomas Wilson, who was president of the main banking unit; Mr Hugh Taylor, senior credit policy officer of the corporation; and Mr James Sweeney, executive vice president, real estate lending, who last December had been "reassigned to other duties."

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TOYOTA MOTOR, Japan's largest automotive group, appointed Mr Tsutomu Ohshima, 65, as vice chairman.

Since 1986, Mr Ohshima, a 41-year veteran of the company, has been serving as executive vice president responsible for overseeing the full range of Toyota operations, and particularly purchasing and corporate public affairs.

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UNITED Technologies, the US aerospace and industrial conglomerate, named former US Senator Howard H. Baker Jr a director, expanding the board to 13 members.

The company said that Mr Baker, who represented Tennessee in the Senate from 1966 until 1985, recently assisted it in formulating a corporate code of ethics.

Mr Baker served as Chief of Staff under Ronald Reagan's presidency during 1987 and 1988. He earlier concluded his Senate career by serving two terms as minority leader and two terms as majority leader.

* * *

MR Philip Deer, currently chief general manager corporate and international for Westpac Banking, Australia's largest bank, has resigned to become deputy chairman and chief executive of Natwest Australia Bank, a unit of the UK's National Westminster Bank.

Mr Deer, 47, replaces Mr Keith Shackell, who was Natwest Australia's acting chief executive. Mr Shackell is promoted to a post in London with the UK parent.

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PHILIPS, the Dutch electrical giant, appointed Mr Kevin Kennedy as chairman and senior managing director of its information systems division.

He was managing director, marketing for the former Philips Telecommunication and Data Systems unit.

Bombardier appoints Canadair president

BOMBARDIER, the Canadian aircraft and transport equipment group based in Montreal, appointed Mr Robert Brown as president of its Canadair aircraft subsidiary.

He replaces Mr Donald Lowe, who becomes deputy chairman of Bombardier and will remain a member of Canadair's executive committee.

Mr Brown has held the post of senior vice president, strategic planning and corporate development, at Bombardier for the past three years.

* * *

TRANS WORLD Airlines, the US carrier taken over in October 1988 by Mr Carl Icahn, the New York investor, named Mr J.W. Hoar executive vice president of operations and chief operating officer.

Mr Hoar, formerly senior vice president, employee relations, was also elected to the company's board.

He replaces Mr Jerry Nichols, who becomes executive vice president, administration, in the office of the chairman (Mr Icahn).

Mr Lance Carter was named senior vice president of airport operations and Mr Charles Thibaudeau vice president of employee relations.

* * *

BURLINGTON Northern, the US West Coast railroad company, named Mr William Greenwood chief operating officer, effective February 15.

Mr Greenwood, switching from executive vice president for marketing and sales, succeeds Mr Gerald Grinstein.

Mr Grinstein will retain his other titles of president and chief executive officer.

INTERNATIONAL CAPITAL MARKETS

John Govett launches $100m Hungarian fund

By Martin Dickson

THE FIRST quoted fund to be dedicated to equity investments in Hungary came to the London market yesterday with an offer for subscription to raise up to $100m.

The Hungarian Investment Company, a closed-end fund managed by John Govett (Jersey), is the latest in a spate of vehicles to invest in developing countries and one of the first to target eastern Europe in the wake of last year's political upheavals. It is claimed to be the only east European fund to be listed on a leading stock exchange.

The company plans to invest 80 per cent of its assets in Hungary in local currency securities, mostly equity stakes in local privately-owned companies, and 20 per cent outside the country in enterprises which are involved in business with Hungary. It will focus particularly on parts of the economy which generate significant earnings in convertible currencies, such as exports and tourism.

Bear Stearns, the US securities house, set up a Hungarian investment fund last year but this issue was placed privately with institutional and private investors. Govett said yesterday that its London listing would give greater liquidity to the investment.

Mr Kevin Pakenham, chief executive of John Govett, said the fund would help lay some of the foundations in "the restoration of liberal capitalism in Central Europe." Budapest, he said, had been described as "like Vienna in the 1950s, with cheap land, cheap labour and huge business opportunities." However, the prospectus underlines that investment in Hungary involves particularly high political and economic risks.

The fund has considerable backing and financial safeguards from the Hungarian Government, which is privatising state-owned enterprises and encouraging the development of the country's fledgling stock market.

The National Bank of Hungary is providing up to 75 per cent protection from the risk of depreciation of the Hungarian currency against the dollar until 1995, as well as free convertibility and repatriation of profits.

It has also undertaken to procure buyers for the investments if the fund itself cannot dispose of them.

The company's directors include Mr Peter Reiniger, a deputy Hungarian Minister of Industry and senior executives from the the Budapest Bank. Local consultants will advise on particular investment opportunities and the Budapest Bank will act as investment administrator and carry out due diligence.

Most of the companies in which the fund invests will also have western joint venture partners, which Govett said should give it a degree of management control over the enterprises. The fund should be fully invested by next year, with about 15 to 20 stakes ranging in value from $3m to $15m.

The issue, sponsored by Kleinwort Benson, involves 1m shares at a price of $100 each, with a minimum subscription level of $50,000 and with separately-tradeable warrants attached. The offer closes on February 14.

Firm undertakings to subscribe have been received for 75 per cent of the issue from several leading UK investment companies. Mr Pakenham said he confidently expected the issue would be significantly oversubscribed but added that it would not be increased in size.

Lex, page 28

Canada clears path for Amexco bank

AMERICAN Express will be permitted to set up a bank in Canada before the Government reforms banking legislation Mr Gilles Loiselle, junior finance minister, told the Canadian House of Commons, Reuters reports.

Mr Loiselle had said American Express would receive its license by April 1990 but the wait for the new banking act delayed final approval.

German-Turkish bank venture

DEUTSCHE Genossenschaftsbank, the umbrella organisation for the German co-operative banks and the country's sixth largest bank is forming a 50-50 joint venture with TC Ziraat Bankasi, Turkey's largest credit institution, writes Katharine Campbell in Frankfurt.

The operation, Deutsch-Türkische Bank, will be based in Frankfurt with an initial capital of DM33m. It is set to open during the second half of this year concentrating mainly on finance for German-Turkish trade, joint ventures and project finance. There are plans to open a branch of the joint venture in Istanbul, offering the range of German financial products. This would further bolster DG's presence in Europe's less sophisticated financial markets.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on February 7

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Austria 9⅞ 93	140	101	101½	-0⅛	-0⅛	9.13
B.F.C.E. 8¾ 94	175	97	97⅛	-0⅛	-0⅛	9.15
B.F.C.E. 9¼ 95	150	99¾	100¼	-0½	-0½	9.23
[illegible]						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6¼ 91	80	99¼	99½	0	-0⅛	6.75
Canada 5⅝ 93	80	96⅛	96⅝	-0¼	-0¼	6.78
Cr.Local France 6¼ 94	300	96⅞	97⅛	-0⅛	0	6.56
[illegible]						

[illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]						
Fujitsu 3 99 US	5/84	1106.	217⅜	218⅝	-3⅞	-1.66
Ladbroke Grp. 5½ 04 £	6/89	3.55	100⅝	101⅝	-0⅛	13.97
Land Secs. 6¾ 02 £	6/87	6.72	84⅞	85⅞	-0⅝	14.29
Minolta Camera 2¼ 94DM	2/86	1004.	104	105¼	-0⅝	8.56
MCA Inc 5½ 02 US	9/87	69.62	94	95	-0⅝	19.89
Mitsubishi Bk. 3½ 04US	5/89	3266.	87⅞	88⅝	-0¼	5.59
Next Plc 5¾ 03 £	11/87	4.3	95⅞	96⅞	0	327.23
Nikki Hkg. Bk. 2⅞ 03 US	4/88	884.	149⅛	150⅛	-0⅞	-4.45
Omnicom Inc. 6 1/2% 04 US	10/89	28.	100⅞	101⅞	+0½	24.06
Onoda Tsushi 2⅝ 02 US	4/87	1310.	267½	268½	-0⅛	-0.55
Ranks Hovis 4¾ 03 £	11/88	15	123	125	-1	0.93
Redland 7¼ 02 £	1/87	5.4	106⅛	107⅛	-0⅛	1.31
Saatchi&Saatchi 6¾ 03 £	†10/89	4.41	84½	85¼	+0⅜	58.83
Silicon Graphics 8 04 US	6/89	23.18	133	134	+4¼	0.21
Sumitomo Bank 3¼ 04 US	2/89	3897.	84⅛	85⅛	-0⅝	12.69
Texas Inst. 2¾ 02 US	9/87	82.87	76⅛	77⅛	-0⅝	89.87
Utd. N'papers 8 04 £	10/89	8.77	120⅛	121⅛	+2⅞	163.06
W.R. Grace 6¾ 02 US	9/87	42.12	89⅞	90⅞	-0⅝	27.41

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Bank loans to China rise despite Tiananmen

By Stephen Fidler, Euromarkets Correspondent

FOREIGN BANKS expanded lending to China in the third quarter, despite the Tiananmen Square massacre which led to an ostensible retreat of foreign banks from the country, according to figures from the Bank for International Settlements published today.

The figures show foreign bank loans to China rose to $19.51bn at the end of September from $17.57bn at the end of June. This compares with the peak exposure of $22.38bn at the end of September 1988.

The figures also show bank lending to east Europe rose to $16.37bn at the end of the third quarter, from $15.62bn at the end of June.

● In an article on non-bank deposits in the international banking market, the BIS estimates total non-bank deposits internationally at $1,027bn at the end of the third quarter. This represents one-sixth of the gross cross-border liabilities of BIS reporting banks. However, it could account for one half of total deposits after eliminating double counting and other distortions such as deposits by non-bank trustee funds made through banks in Switzerland.

Berjaya plans equity warrants rights issue

By Lim Siong Hoon in Kuala Lumpur

MALAYSIA'S Berjaya Corporation, after a string of corporate deals, is to launch a $100m bond and offer 315m ringgit in equity warrants to shareholders.

Following a doubling of its capital last July and the acquisition of interests in Hong Kong and the US, Berjaya this week agreed to acquire Canada's Consumers Distribution Company. The C$165m purchase of the catalogue store chain is the most ambitious in six months of empire-building.

The warrants are priced at 2.50 ringgit each and will be issued on a three for 10 basis. The five-year US dollar bonds will carry a coupon of between 4.5 and 5.5 per cent. The issue will be listed in Luxembourg.

Berjaya, which is controlled by Inter-Pacific Industrial, has interests ranging from textiles and gaming to timber products, and steel wires to properties.

Slough Estates raises C$45m fixed-rate loan

By Stephen Fidler

SLOUGH ESTATES, the UK property development and investment company, has raised a C$45m fixed-rate loan from international banks to finance an equity injection into its Canadian subsidiary.

The 10-year loan was provided equally by four banks: Royal Bank of Canada, Industrial Bank of Japan, National Westminster Bank and Toronto-Dominion. The fixed rate paid by Slough is 11.14 per cent semi-annually, which compares with the yield on 10-year government bonds yesterday of around 10.03 per cent.

Royal Bank, which arranged the loan, also internally arranged a swap into fixed-rate Canadian funds, allowing the banks to fund themselves in floating-rate US dollars.

Second fund by Tel Aviv group

By Charles Batchelor

ATHENA Venture Partners, a Tel Aviv-based venture capital company which has specialised in investments in high-technology businesses in Israel and the US, is to raise its second fund of Ecu20m to Ecu25m (£14m to £18m) to invest in Europe and Israel.

Athena, which raised its first fund of $29m in 1985, is seeking funds primarily in the Europe and the US. One aim of the new fund is to help Israeli companies establish marketing activities in Europe. Athena has links with Adler, a US venture capital company.

Auction fears continue to check US bonds

By Janet Bush in New York and Martin Dickson in New York

AN ENORMOUSLY successful auction on Tuesday of three-year bonds left US Treasury bonds yet again on the defensive. There was concern – some think entirely unfounded – that Japanese investors would not have as many funds to commit to the 10-year and 30-year sales.

At midsession, some long-dated maturities were quoted

GOVERNMENT BONDS

¾ point lower. The benchmark long bond stood ¼ point down for a yield of 8.61 per cent.

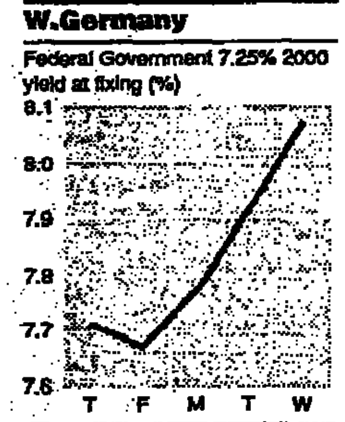
The price declines came in advance of yesterday's sale of $10bn in 10-year bonds. Given what are attractive yields on both the 10-year and 30-year issues, the continued pessimism about demand at the refunding seems to be partly an effort on the part of market makers to force the market down before each auction and therefore buy at cheap levels. Primary dealers appeared to be selling 10-year and 30-year bonds in advance of these auctions, taking up short positions which could be filled cheaply.

Some of the pessimism about this refunding was based on the fact that the yield spread between US Treasuries and their Japanese equivalents had shrunk to almost inconsequential levels. That was true in mid-January but, since then, the spread has widened out again quite significantly.

The three-year auction received the best demand for the last 2¼ years with total subscriptions for the issue of more than $34bn. There was substantial interest from Tokyo with Japanese investors taking as much as half of the entire $10bn issue.

W.Germany

Federal Government 7.25% 2000 yield at fixing (%)



● WEST GERMAN Government bond prices plunged yesterday – their steepest fall in four consecutive days of decline – and dragged all the leading European government bond markets down in their wake.

The main factor behind the fall – which took the yield on 10-year issues well past the 8 per cent barrier – was concern over the prospect of monetary union with East Germany and its inflationary implications.

The price of 10-year bonds have now fallen by three points in as many days this week. The Federal Government's 7¼ per cent January 2000 bond was fixed today at 94.55, roughly a mark lower than on Tuesday, with the yield soaring to 8.06 per cent from 7.91 per cent on Tuesday. In late trading it was quoted at 94.05 – down some 140 pfennigs from the overnight level – to yield 8.14.

The Bundesbank's average yield jumped to 8.33 per cent from 8.21 per cent, the highest level since December 1983.

A record number of contracts – 87,771 in the March Bund – were struck on the London International Financial Futures Exchange, representing well over DM20bn of underlying volume.

The biggest drop in prices came as the Government announced the cabinet was to start talks over monetary union with East Germany. Analysts said the main fear was that the value placed on the East German currency would have an inflationary effect on the West.

There was concern over an evident disagreement between the Government and the Bundesbank over the pace of union.

● FRENCH Government bond prices followed Germany down, amid fears of generally rising European interest rates. The March contract on Matif broke through the pyschologically important 100 barrier to close the official session down 106 basis points at 99.76, with extremely heavy volume of 133,000 lots. In the cash market, the yield on the 10-year benchmark bond neared 10 per cent.

● THE LONDON gilts market dropped in response to Germany's slump. The benchmark 11¾ per cent Treasury stock due 2003/07 closed at 104¾, down $\frac{5}{16}$, to yield 11.029.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		10.000	4/93	93-25	-7/32	12.40	12.18	11.42
		10.500	5/99	95-13	+9/32	11.30	11.18	10.61
		9.000	10/08	88-22	+5/32	10.38	10.28	9.78
US TREASURY *		7.875	11/99	95-15	+4/32	8.57	8.57	7.98
		8.125	8/19	95-07	+5/32	8.57	8.61	8.05
JAPAN	No 119	4.800	6/99	89.4216	+0.285	6.63	6.64	5.88
	No 2	5.700	3/07	95.1360	+0.313	6.29	6.41	5.79
GERMANY		7.125	12/99	94.7000	-0.930	7.92	7.67	7.50
FRANCE	BTAN	8.000	10/94	91.4110	-0.165	10.38	10.32	10.22
	OAT	8.125	5/99	89.9400	-0.530	9.61	9.63	9.58
CANADA *		9.250	12/99	95.0850	-0.085	10.04	10.12	9.71
NETHERLANDS		7.500	11/99	93.5600	-0.520	8.49	8.28	8.09
AUSTRALIA		12.000	7/99	95.9517	-0.263	12.74	12.71	12.98

London closing, *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

CSFB plans to integrate European share trading

By Deborah Hargreaves

CREDIT Suisse First Boston launched an initiative to integrate European stock trading yesterday with an ambitious plan that could have far-reaching implications for trading in the stock of multinational companies across Europe.

The scheme involves trading Nestlé shares internationally through Reuters with Euroclear – one of Europe's two leading clearing houses for bonds and shares – providing clearance, settlement and registration for the shares.

CSFB has kick-started the initiative with a placement of 25,000 secondary shares in Nestlé, the European food company.

A syndicate of banks will underwrite the deal which will be priced on Monday, and banks in London, Amsterdam, Frankfurt and Luxembourg will then act as market-makers in Nestlé-registered shares through Reuters.

The shares will be cleared through Euroclear in five business days at a settlement fee much smaller than that of many European stock markets.

CSFB is hoping the initiative will force European stock trading systems to be more closely integrated and standardised. It is also hoping to inject a higher degree of efficiency into the European markets by eliminating many of the costs associated with cross-border transactions.

At the same time, Nestlé is launching a programme of American Depositary Receipts in the US which will also be settled within five business days.

With JP Morgan acting as the US Depositary bank for the facility and Euroclear as the custodian in Europe, CSFB is hoping to promote the rapid conversion of shares into ADRs and vice versa.

CSFB says its stock initiative will have wide implications for large companies which have until now seen their shares restricted to their domestic markets. It has grand ambitions to promote a European-wide share trading network.

Bank points to blurred boundaries

By Stephen Fidler, Euromarkets Correspondent

THE DEVELOPMENT of secondary trading in bank loans has resulted in banks developing many of the same skills that are required to operate successfully in the bond market, according to an article in the Bank of England's quarterly bulletin.

These skills involve "the ability to market debt claims and to establish a major network of potential investors," according to the article, released by the Bank ahead of publication.

The Bank said that the existence of this market "could be regarded as part of a more general process in the Euromarkets, where in recent years innovation and securitisation have led to the gradual dissolving of the boundaries between money, credit and capital markets."

It said the rise in the use of syndicated credits from its low point in 1985, where $19bn in new credits were raised, to 1989 where a provisional $149bn was raised, was attributable to three factors: the desire of companies to restructure lines of credit into more flexible financings, the growth in debt financed takeovers and buyouts and the competitive funding opportunities for companies which lack a sufficiently high credit rating to obtain access to the Eurobond market.

Syndicated loans offered four advantages over other financings: it provided a stable source of funds, allowed borrowers to raise larger sums more quickly and discreetly, and provided commitments to lend which could be cancelled relatively easily.

The article concluded the market would remain a durable component of international financing.

UK News, Page 9

Birmingham Midshires in £100m floating-rate deal

By Deborah Hargreaves

BIRMINGHAM Midshires building society joined a recent rush to the Eurosterling market yesterday with its issue of £100m in floating-rate bonds.

The sterling floating rate sector remains extremely competitive with underwriters

INTERNATIONAL BONDS

working on slim margins and this deal was no exception. Although it was rather tightly priced – paying three-month London Interbank Offered Rate plus 10 basis points – the issue was selling fairly well to London institutions late yesterday.

The deal, which was issued at par, was trading at a level of 99.85 to 99.86 as UK institutions took the opportunity to buy building society paper after the societies' recent absence from the market.

The issue carries a tap for an additional £50m which can be activated 90 days after the closing.

The popularity of the Eurolira sector was underlined yesterday with a L200bn issue for the World Bank which was given a warm reception in the market where it began trading at less 1.70 to 1.50.

The deal was placed well in Switzerland, Italy and Germany and the proceeds were swapped into floating rate dollars.

In the Swiss market, prices of recent issues came under pressure again from a continuing flow of new paper.

Austria made its first 15-year public bond issue in Switzerland since July last year with the launch of a SFr200m deal carrying a 7⅛ per cent coupon. The market considered the deal to be priced aggressively, but this did not interfere with good demand for the issue.

Recent issues in the Swiss market continued to experience volatile trading conditions with last week's Exxon deal trading at less 1.35 to 1.32 against its fees of 1¾. However, IBM held up well at a level of 1⅛.

In line with a sell-off in German Government Bunds, the German Eurobond market plunged to knock several points off the trading levels of some recent issues. The recent Eurodeutschemark issue for Austria tumbled to a level of 88¼ late yesterday from Tuesday's close of 90⅛. Similarly, a recent EIB deal dropped from 99¼ to 98¼.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
LIRE						
World Bank(a)♦	200bn	12½	101½	1995	1⅞/1⅛	Banca Naz. del Lavoro
SWISS FRANCS						
Austria(b)♦	200	7⅛	101½	2005	2¾	SBC
Swedish Export Credit(c)♦	100	7	101	2000	2⅛	S.G. Warburg Soditic
Vorarlberger L.-und Hypo.✩✩♦	70	7⅜	100½	1995	n/a	UBS
STERLING						
Birmingham Midshires BS(d)‡♦	100	10bp	100	1995	15/5bp	Baring Brothers
US DOLLARS						
Daiwa Overseas Fin.(HK)(e)♦	100	9⅝	101⅞	2000	2/1¼	Daiwa Bank (Cap. M'ment)
Mitsui Toatsu Chemicals(f)♦♦	300	4	100	1998	2¼/1½	Salomon Brothers
Mitsui Toatsu Chemicals(g)♦♦	300	2⅛	100	1994	2¼/1½	Nomura Int.
Hyundai Motor Co.(h)♦♦	70	1	100	1995	2¼/1½	CSFB

✩✩Private placement. ♦With equity warrants. §Convertible. ♦Final terms. a) Non-callable. b) Call in 2000 at 101½ declining ½% p.a. c) Call in 1995 at 102½ declining ½% p.a. d) 10bp over 3-month Libor. Minimum coupon 5%. Additional £50m on tap. e) One call after three years at 100. f) Coupon fixed as indicated. g) Coupon cut by ½% from indication. h) Coupon indicated 1-1¼%. Exercise price: 52,470. Exchange rate 688.0 won per $.

Early return for Homey interest

by Peter Wickenden in Taipai

HOMEY Group, Taiwan's largest underground investment house, yesterday said it would resume paying interest on deposits by the middle of this month, one month earlier than originally scheduled.

Raising fears that it was on the verge of collapse, Homey suddenly suspended interest payments and staff salaries, and froze withdrawals on January 10.

Homey's President, Shen Chang Sheng, said the investment house was to be wound up, but all 200,000 investors would receive the full amount of their principal. Mr Sheng says the company would pay interest at 1.4 per cent a month for at least another year.

The company is the subject of an official investigation. At present Mr Sheng and 39 other senior Homey executives cannot leave the country.

● The Securities Exchange of Thailand is lifting a one-month suspension against sub-broker Chao Thai Securities. From Monday member brokers will be able to trade with Chao Thai to help clients clear outstanding accounts, AP-DJ reports. Chao Thai, which does not have its own seat on the Bankok exchange, can resume trading shares through full-member brokers while police investigate allegations by a government panel that it manipulated share prices. At its peak Chao Thai handled about 900m baht of transactions a day or about one third of the Bankok market's total turnover.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed Feb 7 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Tue Feb 6 Index No.	Mon Feb 5 Index No.	Fri Feb 2 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (202)	884.84	-0.4	12.85	4.82	9.48	1.34	888.84	895.87	894.38	927.13
2 Building Materials (27)	1089.39	+0.1	14.46	5.18	8.62	0.36	1088.30	1101.79	1099.93	1152.18
3 Contracting, Construction (36)	1506.09	-0.3	16.47	5.24	7.95	0.14	1510.45	1522.09	1518.16	1708.29
4 Electricals (10)	2542.36	-0.8	10.58	4.89	11.88	0.00	2562.46	2593.65	2599.31	2673.16
5 Electronics (30)	1905.30	-0.7	9.43	3.78	13.72	9.76	1918.20	1932.48	1929.66	2086.34
6 Engineering-Aerospace (8)	447.02	-0.6	13.53	4.94	9.08	0.04	449.61	452.96	451.58	0.00
7 Engineering-General (44)	474.32	-0.2	11.83	4.97	10.18	0.34	475.84	476.49	476.65	0.00
8 Metals and Metal Forming (6)	471.12	-0.4	25.03	6.38	4.51	0.00	472.88	472.46	469.43	523.42
9 Motors (16)	370.62	—	14.31	5.69	8.20	0.00	370.66	375.29	378.31	317.73
10 Other Industrial Materials (25)	1596.97	-0.9	10.57	4.52	10.98	3.00	1611.28	1622.69	1616.49	1571.74
21 CONSUMER GROUP (177)	1260.59	-0.3	8.97	3.77	13.92	2.18	1264.56	1278.87	1282.84	1203.17
22 Brewers and Distillers (22)	1475.30	-0.1	9.50	3.57	12.99	6.54	1477.85	1497.67	1506.23	1296.99
25 Food Manufacturing (19)	1107.81	-0.5	9.67	3.99	12.86	1.70	1113.27	1130.01	1134.69	1069.06
26 Food Retailing (16)	2275.95	-0.3	8.92	3.33	14.55	3.63	2282.74	2311.93	2320.69	2101.11
27 Health and Household (13)	2441.81	-0.9	6.41	2.68	18.58	0.20	2465.06	2482.27	2489.53	2189.17
29 Leisure (33)	1597.23	-0.3	8.45	3.76	14.57	0.54	1601.87	1625.36	1627.61	1578.66
31 Packaging & Paper (13)	580.92	-0.2	12.10	5.34	10.44	0.90	582.19	582.27	581.36	687.36
32 Publishing & Printing (17)	3544.19	—	9.13	4.99	13.98	20.50	3543.00	3576.15	3602.40	3916.24
34 Stores (31)	785.59	+0.5	11.10	4.78	11.72	0.25	781.87	789.83	788.97	806.72
35 Textiles (13)	507.61	-0.7	11.39	5.91	10.65	0.00	511.20	514.45	514.55	533.02
40 OTHER GROUPS (104)	1171.45	-0.4	10.91	4.76	10.99	0.30	1176.13	1187.56	1188.06	1063.77
41 Agencies (17)	1568.72	+0.9	6.68	2.13	18.42	0.05	1555.28	1547.97	1545.81	1234.25
42 Chemicals (22)	1197.26	-0.2	12.66	5.38	9.31	0.27	1199.71	1205.74	1201.13	1235.01
43 Conglomerates (13)	1615.75	-0.8	11.12	6.07	10.56	0.00	1628.08	1637.74	1624.81	1485.35
44 Transport (13)	2259.29	-0.7	10.71	4.25	11.90	2.08	2275.31	2301.00	2317.02	2329.29
46 Telephone Networks (2)	1224.59	-0.9	10.37	4.18	12.54	0.00	1236.31	1255.53	1258.64	1117.23
47 Water (10)	2005.53	-0.3	17.38	6.75	6.37	0.00	2010.88	2025.30	2025.02	0.00
48 Miscellaneous (27)	1871.20	+0.1	9.49	4.39	11.88	0.91	1868.49	1896.64	1908.88	1477.60
49 INDUSTRIAL GROUP (483)	1153.25	-0.4	10.54	4.34	11.61	1.37	1157.57	1169.12	1170.39	1111.40
51 Oil & Gas (17)	2409.01	-0.7	8.94	4.73	14.78	6.21	2427.17	2444.35	2457.33	1944.86
59 500 SHARE INDEX (500)	1257.52	-0.4	10.30	4.40	11.98	1.75	1262.93	1274.99	1277.16	1182.53
61 FINANCIAL GROUP (114)	831.60	-1.0	—	5.12	—	0.35	840.30	852.65	856.71	776.56
62 Banks (9)	883.26	-0.9	19.40	5.68	6.78	0.00	891.43	909.49	918.30	788.44
65 Insurance (Life) (7)	1400.26	-1.0	—	4.74	—	0.00	1414.14	1429.37	1434.85	1086.92
66 Insurance (Composite) (7)	690.14	-1.9	—	5.48	—	0.00	703.73	714.95	717.89	611.64
67 Insurance (Brokers) (6)	1116.06	-0.7	6.62	5.65	20.11	0.00	1124.01	1130.73	1136.53	1071.22
68 Merchant Banks (8)	500.23	+1.4	—	3.56	—	0.00	493.43	493.25	494.70	353.50
69 Property (49)	1160.62	-1.2	7.86	3.74	16.09	0.94	1174.55	1189.61	1191.49	1339.17
70 Other Financial (28)	330.77	-0.6	12.74	6.39	10.30	1.44	332.65	334.12	334.70	391.49
71 Investment Trusts (68)	1221.49	-0.7	—	2.99	—	0.45	1229.89	1237.19	1237.46	1005.53
91 Overseas Traders (5)	1426.30	-0.6	10.67	6.41	11.02	30.79	1434.69	1453.42	1437.99	1419.54
99 ALL-SHARE INDEX (687)	1154.55	-0.5	—	4.47	—	1.55	1160.69	1172.59	1174.99	1082.84

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Feb 6	Feb 5	Feb 2	Feb 1	Jan 31	Year ago
FT-SE 100 SHARE INDEX♦	2307.4	-13.7	2320.4	2299.1	2321.1	2348.4	2355.1	2345.8	2337.3	2096.2

FIXED INTEREST

AVERAGE GROSS REDEMPTION YIELDS

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	3	87	10
Corporations, Dominion and Foreign Bonds	0	10	27
Industrials	206	461	943
Financial and Properties	76	293	327
Oils	20	34	40
Plantations	1	4	5
Mines	21	65	75
Others	43	116	93
Totals	370	1,070	1,520

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc. Date	1989/90 High	1989/90 Low	Stock	Closing Price	+or -	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
$100	F.P.	—	101	95	Abtrust New Thai Inv.	95	-2	—	—	—	—
5	F.P.	—	61	45	Do. Warrants	50	-2	—	—	—	—
$75	F.P.	—	92	81	‡Air London 5p	92		R2.25	2.5	3.3	13.9
—	F.P.	—	1½	¼	‡Atlantic Res. Warrants	1	+⅛	—	—	—	—
—	F.P.	—	4¼	1	Bear Brand Warrants	3	-¼	—	—	—	—

FIXED INTEREST STOCKS

RIGHTS OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1989/90 High	1989/90 Low	Stock	Closing Price p	+or -
280	Nil	5/3	27pm	12pm	Cook (Wm.) 20p	14pm	
110	Nil	5/3	14pm	8pm	Fisher (A.) 5p	11½pm	+1½
216	Nil	—	23pm	16pm	‡Norfolk House 5p	23pm	+3
90	Nil	—	3pm	¼pm	Plateau Mining 20p	¼pm	-½
670	Nil	—	114pm	82pm	Rank Organisation	83pm	-8

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ♦ Issued by tender. ♦ Offered to holders of ordinary shares as a "rights". † Introduction. §Placing price. †† Reintroduction. ♦ Unlisted securities market. * Third Market.

TRADITIONAL OPTIONS

- First Dealings Feb 5
- Last Dealings Feb 16
- Last Declarations May 10
- For settlement May 21

For rate indications see end of London Share Service

Calls in Arabex Pet., Amstrad, Aviva Pet., Butte Mining, Cityvision, Ivernia West, London & Manchester and Oliver Res. Put and call in Courtaulds.

LONDON TRADED OPTIONS

THE MARKET was busier yesterday as activity in stores and food retailing stock options increased, reflecting brisk turnover in the underlying equities. The FT-SE 100 index option also attracted some interest as the cash market swung within a 21-point range.

Total market turnover amounted to 32,791 contracts, of which 17,563 were calls and 15,228 were puts. Yesterday's total compared with 25,310 on Tuesday.

The busiest contract was the FT-SE 100 which turned over 7,016 lots, divided between 2,729 calls and 4,287 puts. The February 2,350 put series was the most active, with 1,227 lots changing hands. Deals were mostly small-scale with investors still reluctant to commit themselves to the market. Uncertainty about the direction of the US market and the next move in West German interest rates kept dealing in the stock and option market low.

The FT-SE March futures contract was active, though this was due mostly to arbitraging by marketmarkers between the cash and futures markets. Little of this seeped into the options market, though dealers kept a close watch on the movements of the futures contracts. At one stage the gap between the future and cash FT-SE index narrowed to 3½ points as the cash market looked as though it would break below an important chart point. By the close, the gap had widened to 11 points, as the futures markets followed Wall Street higher.

Among the stock options, Sears was one of the most popular. Sears traded 2,525 contracts, of which 2,247 were calls and 278 were puts. The busiest series was the June 120 calls, where 1,720 contracts changed hands. Sears' stock closed 4 higher at 104p having traded 11m shares.

Asda also featured as BZW executed a calender put spread, selling 500 April 110 puts at 7p. It bought 500 of the July 110 puts at 10p.

The trade was said to be bullish and based on the possibility of rebound in the stock.

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Alld Lyons (*486)	460	48	56	72	7	16	18
	500	21	33	49	25	33	36
	550	6	15	28	67	68	69
ASDA (*106)	100	15	19	21	5	7	9
	110	9	14	16	9	11	13
Brit. Airways (*197)	180	26	28	35	3	7	8
	200	12	16	24	11	16	17
	220	5	9	14½	25	29	30
Brit Com (*70)	70	9	12	16	9	11	12
	80	5	8	13	13	16	18
SmKl Beecham A (*538)	500	57	72	90	10	14	20
	550	25	43	60	29	35	40
	600	11	23	38	64	68	73

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Ultramar (*368)	360	27	43	53	16	20	24
	390	13	27	38	33	37	40

Option		Calls Feb	Calls May	Calls Aug	Puts Feb	Puts May	Puts Aug
Brit Aero (*544)	500	50	65	83	1½	18	23
	550	14	37	53	16	35	50
BAA (*379)	360	25	43	52	3	9	14
	390	6	25	34	14	10	27
BAT Inds (*800)	800	21	55	83	15	35	40
	850	6	35	55	53	62	70
BTR (*437)	420	24	39	53	3	15	18
	460	3	19	32	27	35	38
Brit. Telecom (*299)	280	21	34	41	1	4½	7½
	300	7	21	26	6	10½	14
	330	1	7½	13	32	33	34

Option		Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
Abbey Nat. (*185)	180	11	17	20	7	10	12
	200	2	7	11	22	24	27
Amstrad (*51)	50	6	10	13	4	7	9
	60	2¼	6	9	11	12	14
Barclays (*564)	550	32	47	57	17	23	30
	600	7	22	33	52	52	55
Blue Circle (*230)	220	18	23	30	4	10½	13
	240	—	13	21	—	22	23
British Gas (*223)	220	11	21	23	4	8	11
	240	2½	9½	12	18	19	22
Dixons (*127)	120	12	17	20	2	6	7
	130	5	11	14	6	10	12

UK COMPANY NEWS

DTI to investigate BOM Holdings' activities

By Vanessa Houlder

MR NICHOLAS Ridley, the Secretary of State for Trade and Industry, yesterday announced an investigation into BOM Holdings, a property company.

The investigation has been launched under Section 432 of the 1985 Companies Act, which has been used for some of the broadest ranging and most serious inquiries, including Barlow Clowes, Guinness and Blue Arrow. The justifications for launching such an investigation include potential fraud, misconduct or the withholding of information from shareholders.

In a written answer last week, Mr John Redwood, the parliamentary under secretary of state for corporate affairs, said his department was considering action after receiving "a number of representations about the company's recent activities, including a contract for the sale of an area of land which is a major asset".

The land at the centre of the controversy is 400 acres at Kingsnorth in Kent. Last December BOM announced that the land had been sold to Surelaunch, a new private company controlled by Mr John Morris, chairman of Therm-A-Stor, a double glazing business, for £12m in cash and a 20 per cent stake in Surelaunch.

Michael Lucas: BOM will co-operate fully with the DTI

Many shareholders believe that the land was sold too cheaply.

This view largely stems from the claim, made a year earlier by Mr Michael Lucas, BOM's chairman, that the land would be worth more than £75m if it won planning permission.

BOM Holdings said yesterday that it welcomed and would co-operate fully with the investigation, which it hoped would be completed speedily.

Mr Morris said that he welcomed any official investigation that would clear the air in view of the conjecture that has surrounded BOM. "Everything I have done has been done with top City professional advice to achieve a good deal for all concerned," he added.

Mr John Welland, a shareholder who formed an action committee to contest the deal, applauded the DTI decision but reiterated his determination to stop the deal and remove Mr Lucas from the board. "We have won the battle but we have not won the war," he said.

Even before the land sale, controversy has dogged the company.

In December 1988 the Stock Exchange took the highly unusual action of unilaterally suspending the shares because it was concerned about the paucity of information given about a proposed restructuring.

At the end of 1989 the company told shareholders that the Stock Exchange's refusal to accept its restructuring proposals had resulted in a critical shortage of working capital which necessitated the sale of the Kent land.

The inspectors appointed are Mr Christopher Brougham and Mr Raymond Turner.

See Lex

The stress of turning notes into notes

Andrew Hill reflects on aspects of the love affair between Really Useful and the City

THE CLASSIC 'Boy Meets Banker' story – from flotation to buy-out in less than five years – doesn't always have a happy ending.

Take Mr Richard Branson's Virgin Group, for example: Boy meets Banker, City meets Boy; City rejects Boy, Boy rejects City. A drama wrapped up in less than two years, with shareholders getting back no more than they paid for the shares at flotation.

Or Magnet, the kitchen and bathroom retailer which was subject to a management buyout last year. Next week it has to ask its few remaining shareholders to approve a rescue refinancing package.

The Really Useful Group scenario looks slightly different.

So far the proposed £77.4m buy-out has involved less heartache and fewer surprises than the average Andrew Lloyd Webber musical, but whether it will end with everybody living happily ever after remains to be seen. Non-executive directors still have to carry out an independent valuation of the group's assets and that could lead to disputes about the complex matter of valuing copyright.

On the surface, however, Mr Lloyd Webber's rationale for leaving the City stage is simple. Really Useful relies on the composer for its regular income – the rights to his more recent musicals – but Mr Lloyd Webber is now fed up with having to think of his work as "a product line", particularly as he believes his creative future no longer lies in the West End and Broadway hits which have made his name and his fortune.

"I don't think I can go any further in the theatre," he said yesterday. "I have written an awful lot of music."

A selection of the Really Useful Group's reviews since flotation in 1986

Jealous rivals and critics would not deny that. From Joseph and his Amazing Technicolor Dreamcoat, one of his first musicals, to Aspects of Love, which opened in the West End last year, they have carped about the sheer volume of work produced by the composer in recent years.

Mr Lloyd Webber, on the other hand, sees himself as a serious artist: "When I finished Aspects of Love I sat down and thought, 'What happens to Really Useful now my aspirations are moving rather more towards serious music? What happens if I don't produce another really major income source, with Cats and some of the long-running shows beginning to die down?'"

That and his desire to move into the riskier film business lie behind his decision to buy out the other shareholders in Really Useful.

Mr Lloyd Webber's contract – to provide "songwriting services" to the group – is due to expire in January 1993, and doubts had already been raised about his willingness to renew it.

But as it happens, the share price has not so much been undermined by such fears, as underpinned by the continued extraordinary success of musicals like Phantom of the Opera, Cats and Aspects.

In its first reported annual results after the 1986 flotation, Really Useful made £4.3m before tax; by June of last year that figure had risen to £7.4m, although the profits show a slight downturn if income from property sales is stripped out. The buy-out offer means the group has more than doubled in value since flotation, and for the last two years, despite variations in the flow of income from hit musicals, the shares have out-performed the FT All-Share Index.

Given that evidence, it is hardly surprising that Mr Lloyd Webber, unlike Virgin's Mr Branson, bears no grudge against the financial community, despite the recent pressure on him to produce another West End hit. He was able to use some of the proceeds to carry out a project close to his heart – refurbishment of the Palace, the large London theatre also owned by Really Useful. But he does regret the failure of Really Useful to broaden its activities successfully beyond copyright ownership – and thus relieve some of the pressure on him.

That is one of the most peculiar aspects of the deal.

When Mr Brian Brolly, Really Useful's managing director and co-founder, and Mr Lloyd Webber's original creative partner Mr Tim Rice, resigned in quick succession in October 1988, the composer resumed his executive duties on the board. Mr John Whitney, former director-general of the Independent Broadcasting Authority, subsequently took over as managing director.

That appeared to set the stage for a change in direction. Indeed, Mr Whitney seemed keen to expand Really Useful's broadcasting interests, including the possibility of bidding for an independent television franchise following new legislation in the sector. The enthusiasm of Mr Lloyd Webber rather than Mr Whitney will now determine whether the private company goes down such routes.

Meanwhile, Mr Lloyd Webber will be hoping that the remaining shareholders throw bouquets rather than brickbats at him when he takes his final City bow. But before they allow the curtain to come down on Really Useful as a quoted company they will want to be convinced that the full value of Mr Lloyd Webber's talent is reflected in the offer price.

LISTED BUYOUTS OVER £10m

	Pre-1985	1985	1986	1987	1988	1989 (to date)
	*Kingfisher (£310m)	Cullens (£10m)	Gomme (£12m)	*Life Sciences Int (£11m)	*FJC Lilley (£27m)	Ratcliffs £13m)
		Haden (£60m)	Berkertex (£23m)	*Wickes (£120)	Dwek (£37m)	Beacon (£29m)
				Int Leisure (£157m)	Glass Glover (£62m)	Tyzack (£48m)
				Lee Int (£198m)	Invergordon (£116m)	Illingworth Morris (£49m)
					Virgin (£248m)	*British Syphon (£53m)
					*Lowndes Queensway (£450m)	Ryan (£70m)
						Charles Church (£203m)
						Magnet (£665m)
						Gateway (£2,375m)
						Highland Participants (£73m)
Unsuccessful Attempts		Molins (£50m)	McCorquodale (£164m)			
			Simon Eng (£201m)			

* Stayed public

Jameel renews its attack on Hartwell's trading record

By John Thornhill

THE JAMEEL Group, which is currently making a £151.3m hostile bid for Hartwell, yesterday launched a further assault on the trading record of the Oxford-based motor group.

In a circular to shareholders, Mr Rupert Carington, chairman of the Oakhill subsidiary through which the offer is being made, criticised Hartwell's defence document.

He claimed that it failed to explain why the company had performed so badly and offered no prospect of earnings improvement.

Mr Carington argued that Hartwell had been selective in its use of figures and had resorted to an arbitrary nine year profits record, which failed to disclose that profits had fallen between 1980 and 1981.

The circular suggested that a five year trading record was more appropriate and that this highlighted Hartwell's poor performance in comparison with its competitors.

"The Hartwell board ignores the fact that the ordinary offer represents a prospective price earnings multiple of nearly 20 times, widely acknowledged to be a very generous price," Mr Carington wrote.

Mr Peter Huggins, Hartwell chairman, claimed Jameel had said nothing new in the circular, and that shareholders would recognise it as "hot air."

He added that a profit forecast and a property revaluation would be made soon.

Hartwell's shares remained unchanged at 144p yesterday compared with the 136p the Jameel offer is worth.

Hazlewood expands Dutch operations with £7.8m buy

By Nikki Tait

HAZLEWOOD Foods, the food manufacturing group, is expanding its Dutch operations through the Fl 25m (£7.8m) purchase of Luijckx Beheer, a family-owned chocolate products company.

The Dutch business produces products ranging from shavings to decorations for industrial baking, ice-making and catering.

It also supplies direct to the retail market.

Luijckx achieved sales of Fl 19.84m in 1989, and made an adjusted profit before tax of Fl 4.06m.

Hazlewood, which already has a number of Dutch subsidiaries, including a bakery business, said that it hoped to expand Luijckx's business with UK retailers. This currently accounts for about 25 per cent of its turnover.

The purchase price is being met by a vendor placing involving the issue of 3.61m new shares.

These have been conditionally placed by CCF Laurence Prust with institutional investors at 218p per share.

COMPANY NEWS IN BRIEF

BRITANNIA SECURITY: Offer from ADT accepted in respect of 33.5m shares (42.7 per cent). ADT now owns or has received valid acceptances in respect of 41.84m shares (52.7 per cent). Offer declared unconditional and remains open.

CAPITAL AND Regional Properties: Scottish Amicable Investment Managers has increased its holding in company to 935,000 shares (7.73 per cent).

CHANCERY has exchanged contracts to sell its headquarters in Fitzharding St, central London, for £8.7m. Proceeds will be used in the expansion of the banking division.

HAMBRO EUROBOND and Money Market Fund announced net revenue of £343,741 for year 1989 (loss £2,427). Investment income £4.96m, against deficit of £852,925.

HYMAN: Carpenter now owns or has received irrevocable undertakings in respect of a total of 14.33m Hyman stock units (27.14 per cent).

LEARMONTH & BURCHETT Management Systems, has acquired Michael Jackson Systems for approximately £500,000 cash. The company, which operates in France and the US, incurred a consolidated operating loss of £491,000 in the year to August 31. It is being purchased from IDK Data.

NEILL (JAMES) Holdings has sold its Britool spanner and wrench business to Facom of France.

RANSOMES is acquiring Morel for FFr6.9m (£715,000) cash. The French company makes grass sweepers for clearing parks and sports grounds.

TDS CIRCUITS: Offer from Teknecomp closed on February 6. Acceptances received in respect of 18,820 ordinary (0.21 per cent). Teknecomp now controls 71.3 per cent of the voting rights.

UNIGATE, through its Wincanton subsidiary, has purchased Ebrex, a fruit and vegetable distributor based in Rotterdam.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Biras, Budgens, Elbief, Independent Investment.

Finals- Consolidated Bultfontein Mine, Copenhagen Handelsbank, Ericsson (LM), Griqualand West Diamond Mining, Sandvik, Throgmorton USM Trust.

FUTURE DATES

Interims-	
Isotron	Feb. 26
Minerals Oils & Resources	Feb. 28
Portsmouth & Sunderland	Feb. 16
SWP	Feb. 23
Finals-	
Amstrad	Feb. 15
Egerton Trust	Feb. 13
Elkem	Feb. 9
Evans Halshaw	Mar. 19
Norsk Hydro	Feb. 16
P & P	Feb. 20
Reuters	Feb. 13
Templeton, Galbraith	Mar. 6

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Dunton § ....int	0.48	Mar 28	0.48	-	1
St Modwen Props ....fin	1.4	Apr 6	0.8	1.4	0.8
Union Discount ....fin	21.5	Mar 22	18.5	33	30
Kemp (PE) ϕ ....fin	nil	-	1	0.5	1.5

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ϕThird market.

Union Discount more than doubles to £10.54m

By David Barchard

THE UNION Discount Company of London, the City discount house and financial services group, yesterday announced results showing a marked upturn on the weaker performance of last year.

Profits after tax leapt to £10.54m from the £3.47m of 1988 when the group was hit by rising interest rates. However the 1989 results were still below the £11.06m achieved in 1987.

"We managed to forecast both the May and October increases in base rate," said Mr Graeme Gilchrist, managing director, "so we had an excellent year."

The group's discount house activities made profits of £6.54m (£2.56m). Mr Gilchrist said that the size of the book and turnover were much greater than in previous years. On one single day during the summer, Union Discount turned over £6.4bn, the equivalent of 12.5 per cent of the entire short-term money market that day.

Mr Gilchrist said that he expected interest rates to remain very high for most of this year. "There are some tentative but welcome signs that the economy is slowing down," he said.

The subsidiaries set up by the group in the past three years also contributed strongly, reporting profits of £4m, compared to £907,000 a year ago. The group made £4.67m (£613,000) on market making in equities and gilts, and £1.67m (£886,000) on futures, securities underwriting, and cash management.

The newly-established leasing companies broke even, while there was a small loss on asset management. Winterflood Securities, the market maker in small companies which began trading in August 1988, made a profit and covered its start-up costs.

A final dividend of 21.5p is proposed (18.5p) for a total of 33p (30p) for the year.

Mr Gilchrist said that Sir Ron Brierley, the New Zealander, had increased his stake in Union Discount in the past year and now controlled 28.4 per cent. The board was in regular discussions with Sir Ron.

"He is a very nice person and a remarkably shrewd analyst," said Mr Gilchrist of Sir Ron. "He has indicated that he sees himself as a long-term shareholder." However, he disclosed that Sir Ron had been refused a seat on the Union Discount board when he asked to be represented. "We didn't see what synergy could result."

See Lex

Berwin repurchased by vendors

By Clay Harris

TO SELL a business for £1.4m, with possibly more to come, and then to buy it back less than two years later for less than £200,000 looks like a good deal. But appearances can deceive.

Three men who sold Berwin LaRoche to Dominion International Group in 1988 yesterday bought the specialist pensions and mortgage broker for a fraction of the original price. The only problem is that their original payment was received in Dominion shares – which they still own and are now worthless – and the latest deal is a cash transaction.

The only one of Berwin's original vendors missing from yesterday's deal was Mr Max Lewinsohn, former chairman of Dominion. He sold most of his stake in the financial services and property group before its shares were suspended - permanently as it turned it – last September.

Berwin was sold for an undisclosed sum between £100,000 and £200,000 by administrators who were appointed last month to oversee Dominion's affairs after it sought protection from creditors with debts exceeding £100m.

The new owners – Mr Christopher Derham, Mr John Watson and Mr Alan Kingston – founded the Wimbledon-based broker in 1986. Mr Lewinsohn bought a personal shareholding in Berwin about six months later. Dominion bought the company in 1988 for an initial £800,000 in shares and issued another £601,000 in shares last summer as the first instalment of deferred payments which could have reached a total of £3.5m.

The three men have bought Berwin's business but not all of its assets, Mr Derham said. One of Dominion's joint administrators, Mr Michael Gercke of Price Waterhouse, described the disposal as a good deal for the company's creditors.

WB shares suspended at 26p

By Andrew Bolger

SHARES in WB Industries, the Midlands-based manufacturer of springs and presses, were yesterday suspended at 26p at the company's request, pending a detailed announcement.

In October WB, which has seen its shares fall from a 1989 high of 93p, announced the acquisition of two spring manufacturers and a five-for-two rights issue to raise about £5.75m.

The acquisitions were the latest and largest step in the restructuring of the group after it came under new management last April, when Mr Graham Avery replaced Mr David Cooper-Smith as chairman.

WB bought Elson & Robbins, which supplies spring units to bed manufacturers and makes vehicle seats, and CMT Springs, which makes coiled springs. WB also took a 75 per cent stake in Infostock, a company which had entered into a conditional contract to acquire a specialist gearbox business and certain assets of Bus Engineering group.

The combined consideration for the acquisitions was satisfied by a payment of £4.4m in cash and the issue of 2.04m new shares. The new shares were priced at a then deeply discounted 25p, reflecting the fact that the rights issue was not underwritten.

The size of E&R, the turnover of which was almost five times that of WB, meant that the acquisition was regarded as a reverse takeover under Stock Exchange regulations.

In 1988, E&R achieved pre-tax profits of £964,000 on sales of £15.44m.

In the first six months of 1989, WB made pre-tax losses of £317,000, compared with a loss of £34,000 in the corresponding period, and turnover fell from £2.04m to £1.49m. Losses per share increased from 0.07p to 6.34p and there was no dividend.

ADT raises stake in Christies to 9.55%

By Clare Pearson

MR MICHAEL ASHCROFT's ADT, the surveillance systems and vehicle auction group and an active trader in the shares of Christies International, has once more increased its holding in the London auction house.

ADT's stake in the ordinary shares has now reached 9.55 per cent. This converts to 8.5 per cent once the special A shares are taken into account.

The announcement yesterday triggered a further 9p rise to 317p in the ordinary share price, which had recently rallied sharply after drifting down to 275p last month.

ADT's purchases followed a brief lull in manoeuvrings in Christies' shares, which became a fairly regular feature of the market in the course of last year.

The most recent big move came last September, when Aska International, the unquoted Japanese finance and insurance company, brought 6.5 per cent of the total share capital from Mr Robert Holmes à Court, the Australian businessman.

Mr Ashcroft subsequently lifted ADT's shareholding to 6.5 per cent of the whole. Earlier he had sold part of his stake, which was first revealed in May last year, to below the disclosable level.

It is not thought that ADT has been buying shares in Christies as a platform for a bid.

An analyst commented yesterday that the recent dip in Christies' share price, associated with uncertainty about the outlook for sale rooms this year, may have tempted ADT into further purchases.

Mr David Tyler, Christies' finance director, said that at a meeting last October with Mr Christopher Davidge, managing director, Mr Ashcroft "conveyed the impression that he perceived the underlying investment value of the company."

There are two other large stakes, which are thought to be supportive, in Christies' shares. The Wallenberg group, controlled by Sweden's leading industrial family, hold about 3 per cent. Caledonia Investments, The Cayzer family's quoted vehicle, has about 5 per cent.

In addition to recent well-publicised share buying in British Airports Authority, ADT is currently embroiled in acquiring Britannia Security, the alarm installation concern. It yesterday declared the recommended £105m offer unconditional in all respects.

Residential disposal proposals

Andrew Taylor analyses the reasons behind Regalian's radical move

BY JUST after lunch yesterday the London offices of Regalian, the residential and commercial developer, had received 500 telephone calls from potential purchasers for the 600 homes it has for sale in the capital.

Hours earlier the group had announced radical plans to sell almost all of its £180m residential portfolio, most of it in London, through a scheme which would allow hard-pressed buyers to put down a 50 per cent deposit for an immediate half-interest in their home.

Purchasers would have five years to purchase the outstanding balance at the prevailing market rate, agreed by an independent valuer. About 800 homes are up for sale including a large development near Portsmouth on the south coast.

The result of yesterday's announcement was a flood of inquiries to estate agents and the offices of Regalian, as well as a 5p rise in the group's share price to 85p.

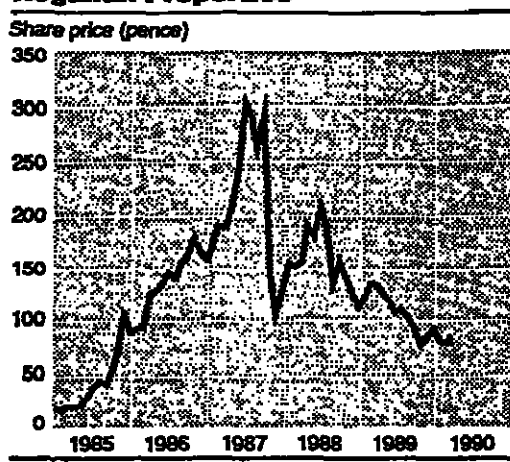
A plan to sell buyers a part-share in their home is not new but has never been introduced on such a large scale by a commercial developer. Last month Fairclough Homes and Abbey National announced a half-share purchase scheme on a single small development in London's Docklands.

If it is successful, Regalian would expect to release, fairly quickly, up to £90m of cash presently tied up in residential properties. These properties, like many other homes in the south, have become extremely difficult to sell as mortgage interest rates have risen to their highest level since 1981.

Chief executive Mr David Goldstone, the former solicitor who founded Regalian in the early 1960s, said yesterday: "We estimated it would take three years to sell all of the residential properties we have completed. The bulk of those sales would not take place for at least 18 months to two years during which time we have to carry the cost of maintaining them and keeping them secure."

Regalian Properties

Share price (pence)



David Goldstone, chief executive, of Regalian Properties: plans to clear the decks.

He said selling half-shares in properties would:

- Make the group less vulnerable to takeover by releasing cash earlier than would otherwise have been possible. The group's share price is currently trading at around half its estimated net asset value of 160p.
- Allow it to take advantage of price rises when the housing market recovers, when it will be able to sell the outstanding equity at prevailing market prices.
- Enable it to reduce group debts of about £70m, currently less than 60 per cent of shareholders' funds of £123m.
- Eliminate non-recoverable costs which might have been incurred by maintaining properties until they were sold.
- Provide additional funds to allow the group to concentrate on commercial development and take advantage of any distressed sales which might occur as a result of a downturn in the commercial property market.

Mr Goldstone said that sales of homes in central London had fallen by more than half compared to the peak of two years ago.

Group pre-tax profits are forecast, by stock market analysts, to fall from £25.6m to about £10m for the year to March 31. At the interim stage profits had fallen from £17.2m to £5.5m.

Regalian now plans to clear its decks of its pure residential properties – many of which were refurbishments of blocks of flats in inner city areas – to concentrate on commercial developments.

"In future the only residential developments we will undertake will be part of larger commercial schemes," said 61-year-old Mr Goldstone. Among its recent developments is the Financial Times' new headquarters building in London.

Other commercial schemes in the capital include the planned Vauxhall Cross office development which Regalian forward sold for about £130m to the government-owned Property Services Agency.

"The deal has left us with about £90m cash on deposit in an escrow account, on which we are earning interest, and which will contribute about £10m a year to profits over the next four years," said Mr Goldstone.

"There is therefore no pressing financial need for us to promote the house sales scheme, other than we think it is in our best interests," he said, adding that the company would have been in a much worse position but for its move into commercial property.

Regalian has also pre-let a 120,000 sq ft nearly-completed office scheme at Red Lion Court in Southwark to Lloyds Bank. According to Mr David Tunstall, property analyst with stockbrokers Smith New Court the development could add another £20m to Regalian's net assets when it is revalued at the end of next month.

Having only just survived the property crash in the mid-1970s, the group grew rapidly during the 1980s as it led the way into inner-city refurbishment work, forging strong links in the process with local authorities.

Pre-tax profits have jumped from 1985's £2.2m to £25.6m in the year to March 31 1989. Earnings per share over the same period have risen by more than five times from 3.26p to 18.01p.

Earnings will fall back with a bump this year as the company pays the price for one of the biggest slumps in house sales in southern England for more than 50 years.

However it is at pains to stress that it is not making distressed sales. Nor is its balance sheet in bad shape. It is not about to crash like Kentish Property did last year.

While cautiously welcoming Regalian's residential disposal move, the stock market is waiting to see whether all yesterday's inquiries will be turned into actual sales.

Europa stake in Australian mine increased

By Kenneth Gooding, Mining Correspondent

EUROPA MINERALS, the London-quoted mining finance house, has lifted its shareholding in Burmine, an Australian gold mine, from 19.7 to 41.8 per cent at a cost of some A$8.3m (£3.74m).

Europa was sub-underwriter of a Burmine rights issue at A$1.60 per share which raised A$9.96m net. The UK group has given up its right, agreed last December, to buy a further 2.1m Burmine shares (11.77 per cent).

Burmine is quoted on the Australian Stock Exchange. Its A$17m Copperhead mine is currently producing at an annual rate of 35,000 troy ounces of gold and the company is also engaged in extensive exploration activity in Australia.

Mr David Hood, Europa's chairman, said a significant shareholding in a quoted Australian company provided "an ideal opportunity for further growth".

Receiver moves into BIA charter subsidiary

By Paul Abrahams

ISLANDS SUN, the charter operator wholly owned by British Islands Airways, has been taken into receivership. Its parent company collapsed last week with debts of £10m.

Mr Christopher Morris and Mr Nigel Atkinson, of Touche Ross, the accountancy firm, have been appointed receivers of Island Sun.

Mr Morris said last night that Island Sun owed about £1.3m, of which all but £100,000 was owed to BIA.

BIA's major creditor is understood to be Lloyds Bank, which is owed about £5m. Danair, the UK air carrier, is also owed about £1m.

The Inland Revenue is owed £250,000. The remaining debt of about £3.75m is owed to trade creditors and passengers.

The wet lease of an aircraft to TAT, the French charter, was terminated yesterday. Island Sun had 1,700 holiday bookings this coming month.

However customers are protected by a bond provided by the Association of British Travel Agents.

BIA was particularly badly affected by the fall in holiday bookings.

Triton rises to £1.6m

TRITON EUROPE, the oil and gas exploration and production group, yesterday reported after tax profits of £1.56m for the six months to November 30 – a considerable increase on the £407,000 achieved last time, and only marginally short of the £1.63m recorded for the last full year.

Although oil production declined during the first half, turnover increased 26 per cent to £15.31m (£12.16m), reflecting substantially stronger oil prices.

PE Kemp runs into £381,514 loss as times get tough

By John Thornhill

TOUGH TIMES in the theatrical world and a heavy interest charge pushed PE Kemp, the theatrical engineer and scenery builder, into pre-tax losses of £381,514 in the year to end-October.

Losses attributable to shareholders, after tax and an extraordinary item, amounted to £478,208.

The outcome compared with pre-tax profits of £177,353 and attributable profits of £124,325 in the previous year.

The Third Market company's shares shed 7p yesterday to 26p.

Mr Luke Johnson, who became executive chairman following Mr Peter Kemp's resignation through ill health, said these results were clearly deeply disappointing. He added that cost-cutting measures had now been introduced and the company planned to reduce bank borrowings. Kemp's bank debt is currently over £600,000.

Kemp's investment in Unit One Production Services – now in receivership – has been written off resulting in an extraordinary charge of £94,000.

Mr Johnson said trading in the first quarter of the current year had been marginally profitable and the order book was better than the previous year.

Turnover fell to £3.12m (£3.32m). Losses per share amounted to 8.49p, compared with earnings of 2.74p last time. The final dividend is passed although an interim dividend of 0.5p has been paid. The annual pay-out last year totalled 1.5p.

Hambro Currency

Hambro Currency Fund reported net revenue up from £681,144 to £1.03m for the six months to December 29. Investment income totalled £1.03m (£122,899).

Nomura ponders direct York stake

Nomura Securities, part of the large Japanese securities house, may take a direct stake in York Trust, the USM-traded financial services company, following its merger with International City Holdings, writes Nikki Tait.

Last month York unveiled an agreed £27m bid for ICH, the money and foreign exchange broker. Then, it emerged that ICH had moved back into loss, and York accompanied its offer with a plan to raise £20m from the placing of 50m new shares with its 29.9 per cent shareholder, Babcock & Brown Inc.

However, in the formal offer document for ICH, York said that BBI might place some of the new shares it acquires with one or more institutional investors. Among the possible takers of the shares is Nomura, which has agreed to buy up to 19m shares at the 40p issue price. This is equivalent to 8.5 per cent of the enlarged York equity. Nomura holds a 20 per cent stake in BBI.

Appointment of new chief could smooth the way for the Channel project

BP man favoured to head Eurotunnel

By Andrew Taylor, Construction Correspondent

MR ALASTAIR FLEMING, a senior executive with BP Oil, is understood to be favourite for the new post of chief executive at Eurotunnel, the Franco-British Channel tunnel group.

The job is being created to oversee the running of the construction contract awarded to a consortium of five British and French contractors. Mr Alastair Morton, Eurotunnel's joint chairman, has strongly criticised the contractors for delays and the mounting cost of the project.

The new executive would be responsible for day-to-day decisions affecting construction of the project, leaving Mr Morton free to concentrate on raising the extra finance needed to complete the tunnel.

The appointment, expected to be confirmed in the next few weeks, may defuse some of the rancour which has particularly soured relations between the British contractors and Mr Morton.

Mr Fleming is one of several candidates. His oil industry background has parallels to that of Mr Morton, although the two have not worked together.

Alastair Morton: has strongly criticised the contractors for delays and the mounting cost of the project

After building petrochemical plants for ICI in the US, Mr Fleming joined Britoil in the early 1980s when the company took over the privatised oil assets of BNOC.

He was in charge of the successful development of the £1bn Clyde field in the North Sea, which was delivered ahead of schedule. Following BP's purchase of Britoil, he became head of projects for BP Exploration Europe.

Mr Morton became the first managing director of the British National Oil Corporation (BNOC) in the 1970s, but resigned over policy differences in 1980.

Mr Morton has regularly argued that the management disciplines required to deliver a large construction contract such as the Channel tunnel are similar to those needed to bring a large oilfield on stream to time and within budget.

Mr Fleming has a reputation as being a tough negotiator. However, colleagues believe he would be likely to adopt a lower public profile than the former BNOC managing director, who has been open in his criticisms about the performance of the British contractors.

Relations between Mr Morton and the construction companies hit a low last month when a letter, leaked to British newspapers, from a chief executive of one of the British contractors, accused the Eurotunnel joint chairman of issuing statements that were "inaccurate, incomplete and calculated to mislead."

St Modwen up 89% to £10.1m

ST MODWEN Properties increased pre-tax profits by 89 per cent in the year to November 30.

Mr Stan Clarke, chairman, said that this reflected the company's ability to provide quality developments across the country and maintain a growing asset base.

On turnover more than doubled to £37.24m (£17.29m), the profit came to £10.07m (£5.33m). With earnings up to 6.2p (3.5p) the proposed dividend is raised to 1.4p (0.8p).

Mr Clarke said the policy of increasing income from the property portfolio continued. More than £7m was spent in buying additional properties, and at the year-end the portfolio was valued at £48.2m.

The annual rent roll stood at £3.8m, an increase of 32 per cent on 1988, and continued to be evenly spread between industrial, office and retail.

On the current year, Mr Clarke said it was likely to be difficult for the property market in general, and the retail sector in particular.

The change in business rating might affect rental growth and property values in the short term, particularly in the south-east and London; but the Midlands and the North, where the company was strong, were likely to benefit.

Mr Anthony Glossop, managing director since 1986, is to become chief executive, allowing Mr Clarke to concentrate on seeking out major opportunities for the continuing growth of the company.

CSI acquires industrial fasteners group

Cannon Street Investments has bought Andrews (Fasteners), a Leeds-based stockist and distributor of industrial fasteners, primarily medium to large bolt products.

An initial £338,000 was paid in cash on completion. Further consideration, related to future profits, will be payable to a maximum of £3.74m.

In the year to December 31 1988 audited pre-tax profits were £95,000 on turnover of £959,000. Net assets at that date were £35,000.

Dunton declines to £366,000

DUNTON GROUP, the USM-quoted building materials and property development company, blamed unfavourable market conditions for its interim profits setback.

In the six months to end-November, taxable profits dipped to £366,000 – a decline of 27 per cent on the £504,000 reported in the corresponding period of 1988.

Mr Alan Sore, chairman, said the group "had continued to progress and broaden its activities, despite unfavourable conditions persisting for much of the building and property sector."

The group is restarting the waste management operation at its brickworks towards the year end and this, Mr Sore stated, would ease the impact on future results.

Group turnover eased ahead to £2.37m (£2.24m). Earnings per 5p share fell from 1.6p to 1.16p but the interim dividend is maintained at 0.48p.

Correction

Dixons

Dixons, the electrical retailer, has sold the computer installation and maintenance business of Mastercare, the group's after sales service operation, for £460,000. This was incorrectly reported in The Financial Times yesterday.

Swedes raise stake in Chloride to 6.17%

By Nikki Tait

MERCURIUS, the Swedish investment company, has raised its stake in Chloride, the battery group, to 6.17 per cent. It previously notified a stake of just over five per cent in January.

Mercurius is part of Mercurius Gruppen, the shipping, offshore energy, commerce and investment banking group headed by Mr Peter Gyllenhammar. It also has a significant indirect interest in Gyllenhammar & Partners Overseas, which in turn holds a 18.8 per cent stake in North Sea Assets, the UK-quoted investment holding company.

Chloride said yesterday that to date there had been no direct contact with its new shareholder, although it suggested that this might take place in due course. It added that it could see no obvious industrial reason why Mercurius should be interested in Chloride. No one at Mercurius was available to comment on the increased holding.

TT Group, a previous stakebuilder in Chloride, sold almost half its 2.85 per cent holding in the battery group a couple of weeks ago.

Boots set to cut gearing with series of disposals

By Maggie Urry

BOOTS, the retailer and pharmaceutical manufacturer which last year paid £900m for Ward White, expects to cut its balance sheet gearing to about 20 per cent by the end of its financial year in March.

The purchase of Ward White, which included the Payless and AG Stanley DIY chains, and Halfords, the car-parts and bicycle retailer, was expected to put a greater strain on Boots' balance sheet.

Disposals of some Ward White subsidiaries are expected to raise £120m. Boots this week sold Childs Corporation, a US safety footwear distributor, for a higher-than-expected $60m.

The sale of the Whitlock, Rose Auto and Strauss US retail businesses is expected to be agreed by the year end. Sir James Blyth, chief executive, said yesterday that there were a number of parties interested in acquiring these businesses either as a whole or in parts.

The recent £155m convertible Eurobond issue, which Boots regards as equity, and strong cash generation within the group will also help to reduce net gearing.

Sir James said that Halfords continued to trade strongly showing real growth on a like-for-like basis. Payless was also seeing sales gains, he said, but the AG Stanley shops were suffering in the tougher climate for housing related consumer spending.

Losses bring pay cuts for Berisford directors

By Clay Harris

DIRECTORS OF Berisford International took a cut in salary last year after the sugar, commodities and property group was pulled into loss by £100m of extraordinary provisions. Payments to directors fell from £5.7m to £5.1m.

Mr Ephraim Margulies, chairman, saw his salary fall by between £55,000 and £65,000 to between £575,000 and £580,000; the company declined to give more precise figures.

Mr Margulies was also one of four directors who waived a total of £2.42m in commission payments.

Berisford paid about £600,000 in compensation for loss of office.

It declined to specify how this was shared between Mr Melvyn Ansher and Mr Tommy Edwards, the two directors who resigned during the year to September 30.

PUBLIC WORKS LOAN BOARD RATES

Effective February 7

Years	Quota loans repaid by EIP†	Quota loans repaid At††	Quota loans repaid at maturity§	Non-quota loans A* repaid by EIP†	Non-quota loans A* repaid At††	Non-quota loans A* repaid at maturity§
1			14⅛			14⅞
Over 1 up to 2	13⅞	13⅞	13⅛	14⅞	14⅞	13⅞
Over 2 up to 3	13⅜	13¼	12½	14⅜	14¼	13¼
Over 3 up to 4	12⅞	12⅞	12¼	13⅞	13¾	13
Over 4 up to 5	12⅝	12½	12⅛	13⅝	13½	12⅞
Over 5 up to 6	12½	12⅜	12	13	12⅞	12½
Over 6 up to 7	12⅜	12¼	12	12⅞	12¾	12½
Over 7 up to 8	12¼	12⅛	11¾	12¾	12⅝	12¼
Over 8 up to 9	12⅛	12	11⅝	12⅝	12½	12⅛
Over 9 up to 10	12⅛	12	11½	12⅝	12½	12
Over 10 up to 15	11⅞	11½	11	12⅜	12	11½
Over 15 up to 25	11⅞	10⅞	10¾	11⅝	11⅜	11¼
Over 25	10⅞	10⅝	10⅝	11⅜	11⅛	11⅛

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY- Indices of industrial production, manufacturing output (1985=100); engineering orders (£ billion); retail sales volume (1985=100); retail sales value (1985=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value*	Unemployed	Vacs.
1988							
2nd qtr	109.5	112.6	32.8	118.7	122.7	2,394	255.2
3rd qtr.	110.7	115.9	29.7	120.1	128.9	2,228	244.3
4th qtr.	110.2	117.1	29.5	121.9	135.4	2,101	241.4
1989							
1st qtr.	109.7	119.8	33.2	121.3	125.4	1,962	228.8
2nd qtr.	109.4	119.4	34.9	122.0	132.7	1,834	222.4
3rd qtr.	110.9	119.9	35.6	121.5	134.7	1,742	229.3
January	109.7	119.3	35.4	119.3	124.3	1,806	230.9
February	109.2	118.6	35.6	121.9	122.6	1,949	229.9
March	110.1	119.9	36.7	122.4	127.4	1,917	224.9
April	110.6	118.9	34.7	120.7	131.6	1,868	223.2
May	108.4	119.6	34.1	124.3	132.4	1,835	219.5
June	109.2	119.6	34.8	121.4	133.0	1,818	224.4
July	110.1	119.9	34.7	120.8	135.8	1,767	228.5
August	111.7	120.5	35.3	121.4	134.0	1,745	219.5
September	110.0	119.4	35.6	122.1	133.9	1,694	220.7
October	112.9	120.5	35.6	121.6	140.2	1,674	214.6
November	111.4	119.5		121.1	153.3	1,675	208.5
December				123.4	195.5		

OUTPUT- By market sector; consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1985=100); housing starts (000s, monthly average).

	Cnsmer. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1988							
2nd qtr	111.7	108.7	108.9	110.4	120.8	100.9	22.3
3rd qtr	114.1	113.1	106.3	114.5	125.0	101.7	20.4
4th qtr	114.4	116.1	106.3	116.5	124.2	101.2	19.4
1989							
1st qtr.	115.1	119.7	103.9	119.2	130.3	101.0	17.9
2nd qtr.	115.6	120.4	102.6	120.2	123.5	98.9	16.6
3rd qtr.	116.2	124.3	104.4	122.1	124.2	97.6	14.6
March	115.9	118.6	104.2	119.8	127.0	100.0	15.8
April	116.3	117.3	105.7	118.9	128.0	98.0	16.4
May	115.4	120.9	101.1	121.0	123.0	99.0	16.6
June	115.1	123.1	101.8	122.8	129.0	96.8	17.7
July	116.7	124.2	102.9	122.4	122.0	98.0	15.5
August	115.2	125.7	105.3	123.0	124.0	97.0	14.1
September	114.7	123.1	106.2	121.0	127.0	98.0	14.2
October	115.9	123.3	106.2	126.0	122.0	94.0	15.1
November	114.0	126.6	105.6	124.0	118.0	95.0	16.4

EXTERNAL TRADE- Indices of export and import volume (1985=100); visible balance; current balance (£m); oil balance (£m); terms of trade (1985=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserve US$bn
1988							
1st qtr.	107.3	119.8	-4,626	-3,061	+730	97.0	44.64
2nd qtr	114.9	126.2	-4,539	-2,781	+565	97.1	48.82
3rd qtr	112.6	134.3	-5,724	-3,332	+627	97.3	50.46
4th qtr.	107.6	134.7	-6,486	-5,491	+389	96.7	51.69
1989							
1st qtr.	112.9	140.5	-5,984	-4,605	+256	98.7	50.48
2nd qtr.	114.7	140.2	-5,870	-5,053	+294	98.9	43.67
3rd qtr.	118.6	146.2	-6,696	-6,494	+329	98.2	42.88
4th qtr.							38.65
January	117.1	145.1	-2,047	-1,646	+116	98.9	51.71
February	105.1	138.0	-2,224	-1,823	-8	98.6	51.68
March	116.3	138.2	-1,703	-1,288	+141	98.7	50.46
April	110.9	140.8	-2,193	-1,821	+116	98.9	47.26
May	115.6	138.4	-1,726	-1,453	+57	98.9	46.09
June	117.7	142.1	-1,951	-1,879	+122	98.9	43.67
July	116.1	148.6	-2,585	-2,487	+75	98.2	43.63
August	113.8	146.7	-2,244	-2,176	+143	98.8	43.21
September	125.6	149.3	-1,898	-1,831	+161	98.8	42.88
October	120.7	142.9	-1,828	-1,728	+168	98.3	39.68
November	121.6	139.2	-1,515	-1,415	+197	98.1	38.77
December							38.65

FINANCIAL-Money supply M0, M2 and M4-(annual percentage change); bank sterling lending to private sector; building societies' net inflow; consumer credit†; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M2 %	M4 %	Bank lending £m	BS inflow £m	Cnsmer. credit† £m	Base rate %
1988							
2nd qtr	6.6	14.6	16.6	+22,358	4,173	+1,027	9.50
3rd qtr.	7.7	16.5	18.5	+22,492	3,192	+595	11.50
4th qtr.	7.7	16.9	17.4	+19,895	2,145	+685	12.75
1989							
1st qtr.	6.7	15.2	18.2	+21,152	3,082	+694	13.00
2nd qtr.	6.0	11.3	18.6	+20,325	1,735	+596	14.00
3rd qtr.	5.3	10.0	17.4	+25,152	2,285	+692	14.00
4th qtr.	5.8	10.2	17.8	+20,883	1,057		15.00
January	7.4	15.5	18.8	+7,611	784	+182	13.00
February	6.6	15.5	18.4	+5,046	1,084	+283	13.00
March	6.1	14.7	18.1	+8,295	513	+336	13.00
April	6.6	14.5	17.9	+6,340	1,175	+341	13.00
May	6.2	13.6	18.1	+6,427	713	+471	14.00
June	6.9	11.3	18.5	+7,558	-182	+186	14.00
July	5.2	10.1	16.5	+7,748	846	+240	14.00
August	5.1	10.1	17.2	+7,969	621	+369	14.00
September	4.5	9.9	17.3	+10,451	515	+74	14.00
October	5.2	9.9	17.2	+5,151	704	+174	15.00
November	5.7	10.7	17.4	+4,853	177		15.00
December	6.0	9.9	18.1	+10,450	176		15.00

INFLATION-Indices of earnings (1985=100); basic materials and fuels; wholesale prices of manufactured products (1985=100); retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 1931=100); trade weighted value of sterling (1975=100)

	Earnings	Basic matls.*	Whsale. mnfg.*	RPI*	Foods	Reuters* cmdty.	Sterling
1988							
1st qtr.	96.4	96.9	111.0	102.7	102.5	1,747	75.9
2nd qtr	98.7	97.6	112.6	105.2	104.6	1,817	77.6
3rd qtr.	100.8	98.8	113.9	106.6	104.7	1,862	75.9
4th qtr.	104.1	100.1	116.2	109.5	105.7	1,887	77.5
1989							
1st qtr.	105.4	102.8	116.8	111.7	107.8	1,974	97.1
2nd qtr.	106.9	104.4	118.2	114.9	110.2	2,018	93.6
3rd qtr.	110.0	100.1	118.5	116.0	110.7	1,912	91.7
4th qtr.						1,843	88.0
January	104.2	104.9	116.4	111.0	107.4	1,989	97.9
February	104.6	101.9	116.8	111.8	107.7	1,954	97.4
March	107.3	102.4	117.2	112.3	108.3	1,996	95.9
April	107.3	103.9	117.8	114.3	108.6	2,016	95.5
May	107.5	104.7	118.3	115.0	110.3	2,010	94.3
June	108.1	104.7	118.8	115.4	110.7	2,027	91.1
July	110.3	102.8	119.0	115.5	110.1	1,940	92.2
August	108.1	102.7	119.6	115.5	110.6	1,902	91.8
September	110.7	103.5	120.0	116.6	111.3	1,893	91.3
October	111.7	104.1	120.6	117.5	112.4	1,858	89.7
November		[illegible]	120.9	118.5	113.5	1,853	87.9
December				118.8		1,816	86.5

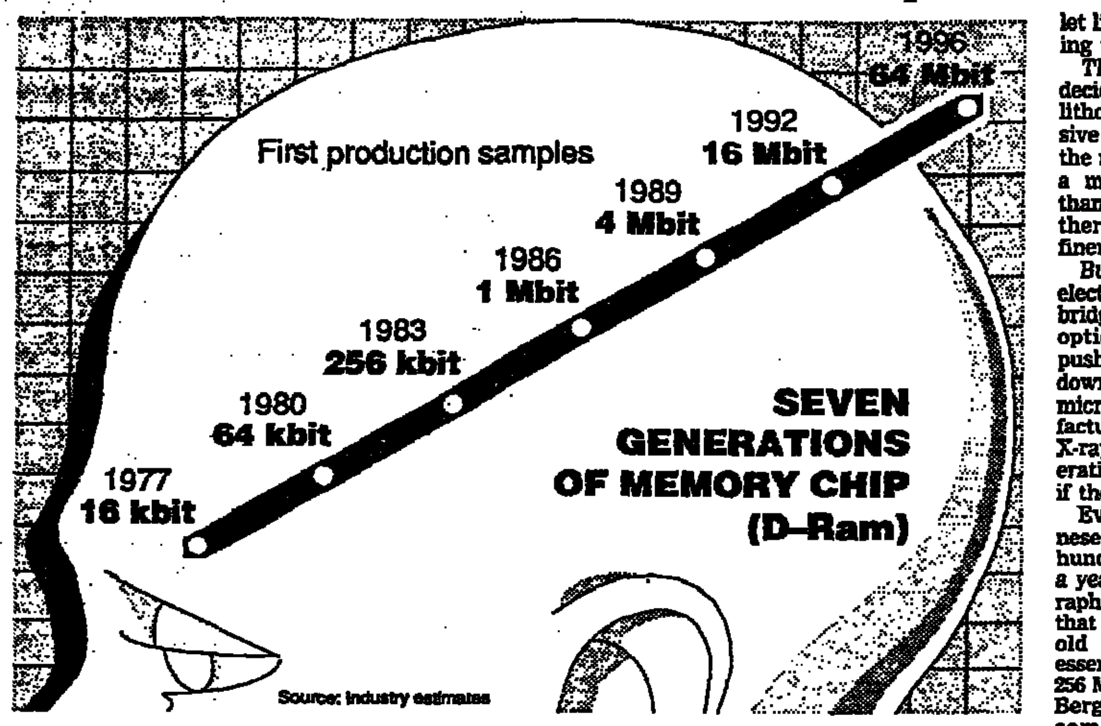
*Not seasonally adjusted

†Net changes in amounts outstanding, excluding bank loans.

TECHNOLOGY

Clive Cookson looks at the ramifications of the race to develop the 64 Mbit chip

A fast expanding memory game



As the world's semiconductor factories wind down production of 1 megabit (Mbit) memory chips and move on to 4 Mbits, corporate and technical attention is turning to the next generation but one – the 64 Mbit.

The industry has brought out successive generations of dynamic random access memories (D-Rams), the most widely used chips, with remarkable regularity every three years since the late 1970s. Each generation stores four times as much data as its predecessor – the 16 kbit chips of 10 ten years ago could not even hold the information contained in a single column of this newspaper, while today's 4 Mbit chips have the capacity of a book.

Although industry analysts confidently expect to see the first 16 Mbit production samples on schedule in 1992, there is a widespread feeling that 64 Mbit will be more of a technical and financial challenge than any previous generation. Only supreme optimists expect 64 Mbit samples to appear in 1995; some pessimists say that 1997/8 is more likely.

But users are likely to find the 64 Mbit D-Ram worth waiting for. It will not only continue the familiar trend towards ever cheaper, smaller and more powerful computers, but also support huge new memory-intensive applications. Many of these will involve digital image and/or voice processing – for example, high definition television and video, electronic cameras, telephone message systems and ultra-high definition fax.

Unit sales of the 64 kbit, 256 kbit and 1 Mbit D-Rams all reached a similar peak (about 900m for each chip in its best selling year) but Dataquest, the international electronics consultancy, forecasts substantially higher sales for future D-Ram generations as applications move beyond computing to new mass markets.

The prospect of healthy growth in the world-wide D-Ram market – currently worth less than $10bn a year – is encouraging leading semiconductor manufacturers to invest huge sums in research and development for the next generations. Byron Harding, a semiconductor analyst with Dataquest, expects there to be five or six separate sources of 64 Mbit chips, including at least one Korean company.

So far each D-Ram generation has cost 50 per cent more to develop and manufacture than the one before. Total costs for the 4 Mbit are likely to reach $2bn for each company and $5bn seems a reasonable estimate for the 64 Mbit.

This has led to an increasing number of international alliances to share both costs and ideas. Hitachi of Japan and Texas Instruments of the US, for instance, are working together on the 16 Mbit D-Ram, and last month IBM of the US and Siemens of West Germany signed an agreement to develop 64 Mbit chips. The ambitious goal of the IBM-Siemens project is "to have a world standard 64 Mbit D-Ram ready for commercial introduction in the mid 1990s."

IBM is not only the world's largest computer company but also the largest semiconductor manufacturer. The outside world only recently began to appreciate the size and technical excellence of IBM's semiconductor operations, which the company had kept shrouded in secrecy; their chips go into IBM computers and are not sold on the open market. Last year IBM beat the leading trio of Japanese chip manufacturers – Toshiba, Hitachi and NEC – in the race to mass produce 4 Mbit D-Rams.

As the only big league D-Ram manufacturer left in Europe, Siemens is the key to the success of the $4bn Joint European Submicron Silicon (Jessi) programme, backed by the EC, European governments and electronics companies, which is intended to maintain the competitiveness of European semiconductor technology. Siemens' role as the leader of the Jessi project to develop a 64 Mbit D-Ram is being renegotiated in the light of the IBM agreement.

Karlheinz Kaske, Siemens' president, calls the deal "a substantial support to the Jessi objective." But it is not yet clear to what extent other European companies will be able to join in the 64 Mbit development work with IBM or use the resulting technology.

Research on 64 Mbit D-Rams has been under way at IBM and the leading Japanese semiconductor companies since 1988 – long enough to convince them that reliable 64 Mbit chips can be made by extending the CMOS (complementary metal oxide silicon) technology used for today's D-Rams. There are two main technical issues:

- What shape to make the individual memory cells (capacitors) on the chip? The rival geometries are the "trench", sunk into the silicon, and the "stack", built up from the surface.

IBM uses the trench for its current D-Rams and plans to stick with it for the 64 Mbit chip, but most of the Japanese manufacturers are adopting the stack. Robert Kopp, a semiconductor technology consultant based in New Mexico, says he is concerned that trench capacitors may be more expensive to manufacture and more liable to failure than the stack.

- How to etch the extremely fine lines that make up the chip's electronic circuits? Manufacturers agree that the line width required to fit all the circuitry on to a fingernail-sized piece of silicon will decrease from 0.8 micron (millionth of a metre) for 4 Mbit to 0.5 micron for 16 Mbit and 0.35 micron for 64 Mbit. "Optical lithography", today's etching technique which uses ultraviolet light, will then be approaching the limit of its capability.

The industry is trying to decide when to switch to X-ray lithography – a more expensive technique that is still at the research stage. X-rays have a much shorter wavelength than ultraviolet light and are, therefore, capable of etching finer lines.

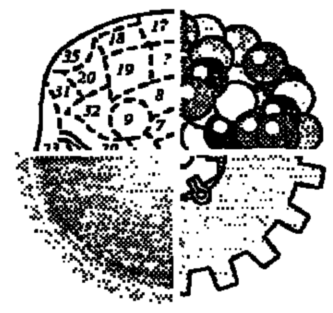
But Alec Broers, professor of electronic engineering at Cambridge University, believes that optical lithography can be pushed to work satisfactorily down to a line width of 0.25 micron and that D-Ram manufacturers will not have to use X-rays before the 256 Mbit generation (the one after 64 Mbit) if then.

Even so, IBM and its Japanese competitors are spending hundreds of millions of dollars a year developing X-ray lithography. "IBM scientists believe that we will cross the threshold at which X-ray will be essential for production at the 256 Mbit generation," says Paul Bergevin, spokesman for the company's semiconductor operations. "It is conceivable that some portions of the 64 Mbit chip will use X-ray lithography, but we do not expect it to be a production tool for volume manufacturing then."

IBM expects to introduce 64 Mbit chips across its product line in the late 1990s, probably starting with the top-end mainframe computers and moving quickly down to personal computers.

John Allanby, systems engineering director at ICL's mainframe development centre in Manchester, says that, as each new generation of D-Rams appears, computer manufacturers tend to split the advantage of the four-fold memory increase two ways: they double the semiconductor memory of their machines and halve its size. That enables the computer to store more programs and data internally, rather than on external disks from which access is far slower. A single printed circuit board with 150 64 Mbit D-Rams would give a billion characters (gigabyte) of main memory.

But the most exciting applications of 64 Mbit D-Rams will be for data storage outside the traditional areas of computing such as digital television, facsimile, voice storage, intelligent automobile systems and so on. Broers gives one example – a compact electronic camera that could store up to 200 high quality images and display them on a high definition television.



WORTH WATCHING

Edited by Della Bradshaw

Reading off a CD player

PORTABLE compact disc players usually only play music. But one from Sony in Tokyo can be read like a book.

The Data Discman incorporates a liquid crystal screen on which is displayed the text held on the compact disc. Today's computer storage compact discs, or CD-Roms, have an enormous capacity – they can contain a copy of an encyclopaedia, bible or telephone directory.

Sony is not revealing when the Discman will be available, or at what market it will be aimed, but it has obvious applications in education. Sony is also considering combining music or sound with text on the system, so more widespread applications – in entertainment for example – could be envisaged.

One issue still to be decided is what standards will be used for the interface between the disc and the display in the electronic book.

Friendly gas for aerosols

A WAY of using hydrogen in aerosol sprays, instead of the discredited chlorofluorocarbon gases (CFCs), is being developed in Frankfurt by Battelle, the commercial research organisation.

The propellant in the Battelle design uses hydrogen stored in a metal hydride cell – a mesh of ferro-titanium.

Unlike traditional propellants, the gas is not dissipated as the liquid is propelled out of the inner container. Instead, when the button is pressed, the container decreases in size, whereas the hydrogen cell remains at a constant pressure.

Battelle hopes the technology will be in commercial use within two years.

Photo to foil card fraud

CREDIT card fraud is a serious concern for banks and credit card companies. To help prevent the fraudulent use of their cards, Vistramark, of Leicester, has patented a device called a Validity Viewer which looks like a pocket calculator but contains a passport-sized photograph of the owner.

The clever element in the device is that the photo is covered with a liquid crystal display which is usually opaque. But when the appropriate credit card is swiped through a groove in the device, a minute electric current passes through the display. This aligns the crystals, making the glass transparent and revealing the photo.

The viewer is solar powered and built to take either a magnetic stripe card or a smart card – where an electronic chip is embedded in the plastic.

Vistramark envisages it will take at least a year to get the device on the market.

Acid that helps clean beaches

HOLIDAYMAKERS planning to lounge on British beaches this summer will have a vested interest in a chemical contained in vinegar, which is being used to treat sewage.

Oxymaster is a range of disinfectants based on peri-acetic acid (PAA) and formulated to control micro-organisms in raw or settled sewage or sewage effluents. The chemical cocktail decomposes to form acetic acid (vinegar), water and oxygen, and leaves the treated sewage as a source of sustenance for marine life.

Developed by Interox, of Warrington, the Oxymaster system has been installed by three coastal water companies in the UK. The colourless PAA-based liquid is injected into the sewage flow as it leaves the sewage plant. According to Interox, it costs about 8p to treat one cubic metre of sewage.

Expert guide to pictures

EXPERTS are turning up everywhere these days. Or, at least, expert computer systems are.

The latest manifestation is in a multi-media system which allows still video pictures, of photographic quality, to be displayed on a computer screen with digitised text.

Digithurst, of Royston, has developed the Picture Book Professional, which uses an expert system to locate items held on a database.

A holiday system would, for instance, show pictures of different places of interest. If Greek temples were to be the highlight of the holiday, the traveller would call up a picture of one and then instruct the computer to find tourist spots with similar attractions.

The expert system searches through the accompanying text and picks out key words. It then searches the database for similar descriptions.

The product comprises a software package and printed circuit board which operates with an IBM or compatible personal computer.

Less pain through skiing

A TECHNOLOGY developed to help people improve their skiing is being used to alleviate the suffering caused by foot deformities, writes Paul Abrahams.

The system, first developed in the 1970s by Sidas, in the Rhônes-Alpes, was designed to improve the comfort of ski boots. To do this, they developed a thermo-formed sole that could be heated, moulded to the shape of the foot and inserted into the ski boot. Once the sole had cooled it kept its shape.

However, as the skiing market slowed down during the 1980s, the company needed to find new outlets.

An opportunity arose when doctors approached the company about using the technology for people with deformed feet. By moulding the sole, the weight of the body is evenly distributed over the foot, rather than falling on a few points. This results in greater comfort and fewer cramps.

CONTACTS: Sony: Japan 3 448 2111. Battelle: W Germany, 69 7908 2342; London, 493 0184. Vistramark: UK, 0533 716402. Interox: UK, 0925 51277. Digithurst: UK, 0763 246313. Sidas: France, 76 53 96 18.

LEGAL NOTICES

E.E.S. SHIPPING (SOUTHERN) LIMITED

Registered number 2115688
Former company name: Tracksenior Limited
Nature of business: Shipping and Forwarding Agents
Trade classification: 30
Date of appointment of administrative receiver(s): 23rd January 1990
Name of person appointing the administrative receiver(s): National Westminster Bank plc
Brian Mills and Peter Anthony Lawrence/ Joint Administrative Receivers (office holder no(s) 2305 and 6829.) of 6 Raleigh House, Admirals Way, Waterside, London E14 9SN.

COMBINED WAREHOUSING SERVICES (SOUTHERN) LTD

Registered number: 1777609
Former company name: Breamcharm Limited
Nature of business: Warehouseman and Factors
Trade classification: 38
Date of appointment of administrative receiver(s): 23rd January 1990
Name of person appointing the administrative receiver(s). National Westminster Bank plc
Brian Mills and Peter Anthony Lawrence/ Joint Administrative Receivers (office holder no(s) 2305 and 6829 of 6 Raleigh House, Admirals Way, Waterside, London E14 9SN

PUBLIC NOTICES

CANADIAN NORTH ATLANTIC WESTBOUND FREIGHT CONFERENCE
CANADA - UNITED KINGDOM FREIGHT CONFERENCE
NOTICE TO SHIPPERS AND CONSIGNEES
BUNKER ADJUSTMENT FACTOR

The Member Lines of the above Conferences operating services between the United Kingdom, Northern Ireland and the Republic of Ireland and Canadian Maritime, St. Lawrence River and Great Lakes Ports would refer shippers and consignees to the press announcement in January 1990 and would advise that as a result of the Lines' January review of Bunker Costs the Bunker Adjustment Factor will be reduced with effect from 1st March 1990 to the following levels:-

20 Foot Containers	Can. Dirs 14.00
40 Foot Containers	Can. Dirs 28.00
Service 3	1.50 Percent of Freight

The Bunker Adjustment Factor is exempt from the Conference Currency Adjustment Factor.

The Members Lines will continue to review Bunker Costs and any further change in the amount of Bunker Adjustment Factor payable will be announced when warranted.

Atlantic Container Line B.V.
Canada Maritime Ltd
Cast (1983) Limited
Hapag-Lloyd AG
Orient Overseas Container Line (UK) Ltd

Canadian Atlantic Freight Secretariat Limited
Secretaries

Stoner House,
Kilnmead, Crawley,
West Sussex, RH10 2SG.
England.

February 1990.

CLUBS

COMMODITIES AND AGRICULTURE

Opec needs $60bn extra for productivity increase

By Alan Friedman in Houston

THE secretary-general of Opec, citing rising worldwide *demand for oil and the prospect* of a supply crunch during the 1990s, yesterday said that Opec member nations will need to spend about $60bn over the next five years to fund an increase in productive capacity.

Dr Subroto, a former oil minister from Indonesia, said the $60bn of required capital was *more than Opec members* could generate themselves and called on both multinational corporations and the governments of oil consuming nations to make direct investments in Opec nations.

"The *assurance of secure* supply is the joint responsibility of all of us since we are all in the market together," said the Opec chief.

He added that "if we wish to avoid a crisis we have no alternative course to follow, for without an adequate and rapid expansion of production capacity there will sooner or later be a *tightening of supply* and a rapid rise in prices, followed by years of severe fluctuations in market behaviour and considerable wastage of our finite oil reserves."

Dr Subroto said the time had *come for* "the adoption of a fresh new approach to relationships within the market and the discarding of many long-standing prejudices."

He said events in Eastern Europe could lead to less reliance by East bloc partners on subsidised Soviet energy supplies and a subsequent rise in demand on the normal world market.

New investments in technology could alternatively lead to an increase in Soviet *net oil* exports to the West.

Environment fears boost platinum use for catalysts

By Kenneth Gooding, Mining Correspondent

DURING 1990 automotive emission control catalysts are *expected to overtake jewellery* as the major end-user of platinum, according to Shearson *Lehman Hutton, the financial* services group.

The "greening" of Europe will help catalysts keep ahead of jewellery from now on since "the environment has become such a significant issue that European governments are now *able to forge ahead with* emission limits," says Shearson in its annual review of the platinum market.

It points out that, if all the proposed changes go through, by 1993 western Europe will have car emission control standards *as tight as those currently* in place in the US, if not tighter.

Consequently, after growing at a rate of 29 per cent a year from 1985 – the year when platinum was first used for automotive catalysts in Europe – *Shearson projects that platinum* offtake in the region in 1994 will exceed 650,000 troy ounces, double the level of 1989.

"In addition, Europe looks set to overtake the US in platinum use in this sector in 1991," say the authors, Ms Rhona O'Connell and Mr Rob Davies.

Automotive catalysts used 1.19m ounces of platinum and absorbed 35.5 per cent of total western world *supply last year.*

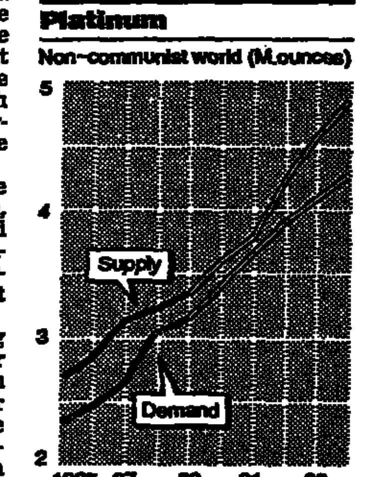
Offtake is projected to grow at an annual rate of 7.8 per cent to 1994, by which time the Shearson report expects *it* to be taking more than 1.7m ounces a year out of an annual platinum supply of 4.88m ounces.

The increasing dominance of automotive catalysts in platinum demand has caused some problems in the short term, Shearson points out. "The poor performance of the US automobile industry during 1989 (with registrations running some 4.2 per cent below 1988 levels) has consistently deterred would-be speculators or investors in the US."

Although falling US car sales have had a negative impact on platinum demand because US automotive catalysts account for 16 per cent of the total market, the Shearson report suggests that investors overreacted.

Platinum

Non-communist world (M.ounces)



Source: Shearson Lehman Hutton

The actual reduction in offtake last year was only 23,000 ounces, 0.7 per cent of the total, and Shearson expects a further fall of only 7,000 ounces in 1990 before the US automotive catalyst market returns to solid growth.

Shearson points out that during 1989 the platinum price *averaged $509.86* an ounce and traded between $465 and $555 an ounce.

It forecasts that this year – assuming sluggish economic conditions in the US in the first half followed by some recovery in the second – the platinum price will average $535 an ounce and range between $470 and $580 an ounce.

Demand *is forecast to grow* from 3.152m ounces last year to 3.43m in 1990 with total supply forecast to rise from 3.352m to 3.591m ounces.

That implies that investors – who are concentrated mainly in Japan – will have to *take up 160,000 ounces if the* market is to be balanced this year, well below the 250,000 ounces they accumulated in 1989.

The relatively small surplus of supply over demand will continue next year, but by *1994, because of increased supply* from the mines, availability for investment will have reached 620,000 ounces a year – equal to the peak level reached in 1987.

Western world mine production is forecast to rise from 2.87m ounces last year to 3.1m in 1990 and by 1994 is expected to reach 4.29m ounces.

South Africa, which supplies 93 per cent of western world platinum, is set to remain the dominant supplier.

"From three major producers throughout the 1980s, by 1992 South Africa will boast five houses of size," Shearson points out, and this raises questions about future competition.

The Shearson report says: "We suspect that the balance of emphasis will lie with ever more sophisticated marketing techniques. The potential for growth in offtake in jewellery and investor products in Europe and North America is enormous."

Annual Review of the World Platinum Industry: 1990; Shearson Lehman Hutton, 1, Broadgate, London, EC2M 7HA; £500 or $1,000.

Cocoa jobs to go in merger of trade houses

By Richard Mooney

MORE THAN 50 cocoa market jobs are likely to go following the *amalgamation of two of* London's best-known trade houses.

E. D. & F. Man announced yesterday that it was to absorb the cocoa activities of Gill & Duffus, after reaching agreement to increase its stake in Basescheme, which *owns* G & D's cocoa division, from the present 24.9 per cent to 79.8 per cent.

An enlarged Man cocoa division would be created to accommodate G & D; Holco, Man's cocoa trading arm; Pacol, G & D's principal cocoa trading company; Johannes, its Brazilian subsidiary; and *processing companies* W. G. Spice and British Cocoa Mills, according to yesterday's announcement.

But Mr M. W. Metcalfe, managing director of Holco, said job losses were "inevitable." Although efforts were being made to find positions elsewhere in the group for displaced staff, he thought redundancies among both the Man and G & D employees would probably amount to more than 50.

Gill & Duffus and Pacol are to join Holco at Man's Sugar Quay offices in London in June.

The move was part of Man's commercial strategy, Mr Metcalfe said. The group, known best for its sugar activities, wanted to expand its cocoa trading and last year's divestment by the Dalgety food group of the G & D cocoa operation had created an ideal opportunity. G & D was "a very good fit" with Man, he said. But Man is not interested in G & D's three-man sugar futures operation, which is to be run down.

After the move the companies will continue to use their own names and trade "pretty much as before." Gill & Duffus's respected quarterly Cocoa Market Report will continue to be published.

Following a slide in profits Dalgety sold the G & D cocoa operation last October to Basescheme, which had Citycorp Capital Investors Europe as a major shareholder. It is principally through the purchase of the shares owned by Citycorp that Man is securing control. The share acquisition is expected to be completed by the end of April.

"The directors of both companies consider that the combined resources of these long established trading houses will create a new force in the world of cocoa even more capable than before to serve the requirements of our customers," Man said in a statement yesterday.

Oil project approaches last hurdle

Bernard Simon on licensing Canada's long-awaited Hibernia field

AFTER A decade of raised expectations and dashed hopes, Canada's biggest oil project at last seems close to proceeding.

The Canada-Newfoundland Offshore Petroleum Board, a regulatory body, expects to pass a milestone within the next few weeks by granting a production licence for the Hibernia field, on the continental shelf 300km east of the southernmost tip of Newfoundland.

Only one major hurdle will then remain, the signing of a *binding legal agreement* between the Canadian government, the province of Newfoundland and a four-company consortium headed by Mobil Oil's Canadian subsidiary.

As negotiations on developing Hibernia have waxed and waned, Newfoundlanders have developed a deep scepticism about the chances of the field *ever being developed. Drilling* began off the east coast in 1966 and 137 wells have been drilled since then. The Hibernia field was discovered in 1979.

But the participants are now confident that the contract will be signed by June 30, clearing the way *for an almost immediate* start in construction. Production is due to start in 1996, reaching an average rate of 110,000 barrels a day.

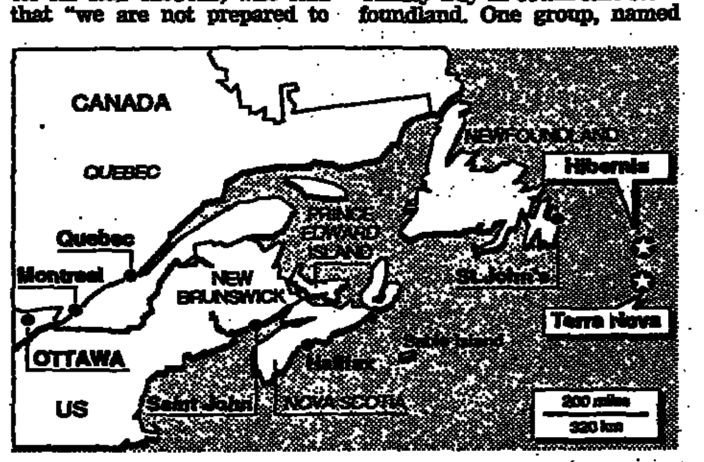
"Everybody is driving towards meeting that date," says a Mobil spokesman, who adds that "a *spirit of compromise* and resolution" has cleared away many outstanding issues in recent months.

The C$8.5bn (£4.22bn) project, the first oilfield to be developed on the east coast, would be a shot in the arm for *Newfoundland. Already one of* North America's poorest regions, with an unemployment rate of more than 15 per cent, Newfoundland is currently taking another knock with the severe depletion of fish stocks off its coast.

In view of the importance the project holds for the local economy, one of the key outstanding issues in the contract negotiations is the question of any industrial benefits that will accrue to the province.

Mobil and its partners (Gulf Canada Resources, Chevron and Petro-Canada) have submitted a package of proposals and are now awaiting the *government response. Federal and* provincial ministers met in Ottawa earlier this week to discuss *Mobil's proposals.*

That some hard bargaining may still lie ahead on this score was indicated recently by Newfoundland's energy minister Mr Rex Gibbons, who said that "we are not prepared to accept any less than our fair share of benefits and until we reach agreement on that issue, we are quite prepared to leave Hibernia undeveloped."



The parties are already at loggerheads over construction *of the five "super-modules" for* the upper deck of the Hibernia platform. Newfoundland is demanding that at least one of the modules should be built locally to compensate for a change in design last year which eliminated a labour-*intensive steel support frame.*

Hibernia's reserves, estimated at between 525m and 650m barrels, will be extracted from a fixed platform on a concrete base. The *structure* will be about the size of a large North Sea oil platform.

A unique element of the base will be a wall designed to withstand collision with icebergs. In the process of eliminating the steel support frame, last year's design change replaced 18 Lego-like modules with five much bigger super-modules.

The two main Hibernia contracts – one for the concrete base, the other for engineering and fabrication of the super-*modules* – will be awarded at virtually the same time as the three parties finally agree to go *ahead with development.*

Two consortia have bid for the 1m-tonne gravity base structure, which will be assembled at a greenfield site on Trinity Bay in south-east Newfoundland. One group, named North Atlantic Contractors, is headed by Norwegian Contractors with a Newfoundland *construction company as its partner.* The other consortium, Nodeco, is led by Doris Engineering of France.

There are three bidders for the upper structure: the Calgary-based Bantrel Group, a consortium including Norwegian Petroleum Consultants and the Montreal engineering group Lavalin; Newfoundland Offshore Contractors, members *of which include Aker Engineering* of Norway; and two other Montreal consultants, SNC and Monenco.

Construction is expected to peak towards the end of 1993 when about 3,600 people will be employed on the project.

Ottawa will make a substantial financial contribution to the project – up to C$1.04bn in cash, plus loan guarantees of up to C$1.66bn. In addition, *it will provide interest-free loans* to help the oil companies meet their debt servicing obligations should the oil price fall below US$25 a barrel (in constant 1987 dollars).

For its part, Newfoundland will exempt capital spending on Hibernia from its 12 per cent retail sales tax and will *subsidise* engineering design work done locally. The consortium has agreed to spend at least C$1bn once the *binding* agreement has been signed.

Once Hibernia gets the go-ahead, the Federal and Newfoundland Governments may face the tricky decision of whether to allow development of another east coast oilfield.

A consortium led by Petro-Canada may be in a position to submit a development plan for Terra Nova, a *field* south of Hibernia, by next year.

While the lure of extra oil revenues and economic activity from a second field is tempting, *the Newfoundland* Government, the Hibernia consortium and even some local residents are concerned that the parallel development of two fields would place an unbearable strain on local resources, especially labour.

Hibernia will provide jobs for about 4,000 people in the province during construction in 1992 and 1993, and for 1,100 people when production starts.

Whether or not Terra Nova goes ahead soon, the Newfoundland Government is con-*fident that Hibernia marks the* start of a series of east coast projects.

Last year was the quietest year off the east coast for exploration in more than a decade, with only one well being drilled.

But based on recent licence applications, the Provincial Government predicts that oil companies will drill an average of four wells a year until at least 1992. It also hopes that the infrastructure and skills gained from the Hibernia project *will encourage development* of other fields.

According to Mr Gibbons, output of over 200,000 barrels a day is possible from the Newfoundland offshore by the *end* of the decade.

US agriculture 'flexibility' plan proposed

By Nancy Dunne in Washington

A PACKAGE of US Department of Agriculture proposals, sent to Congress this week for the 1990 Farm Bill, failed to address the central issue of subsidy levels and drew only mild reaction from American farm groups.

As expected, Mr Clayton Yeutter, the US Agriculture Secretary, simply proposed modifications to the current programme, including a "flexibility" plan which would allow farmers to plant pre-approved *"substitutable" crops and still* receive price supports. Mr Yeutter said the plan was expected to spur US soyabean and wheat production and decrease feed grain output.

Although some lobbyists complained that Mr Yeutter had avoided major controversy by *failing to address budgetary* issues, this was also seen as a clever election year scheme to let Congress take the blame for programme cuts.

What drew more fire than the USDA's proposals was a wide-ranging Farm Bill *"agenda" proposed by 11* environmental and consumer groups, which would ultimately reduce the use of chemicals in farm production. Farmers in areas of water quality concern would be required to develop and later implement plans to increase the efficiency *of their pesticide and nutrient* applications by the year 2000.

The environment proposals were introduced by Senator Wyche Fowler Jr., a Georgia Democrat, and will get a thorough airing on Capital Hill.

Mr Yeutter, who has been *attacking the* "environmental terrorists" and refusing to meet with them, said his flexibility proposals would foster good environmental practices by encouraging crop rotation. He would also shift the Conservation Reserve Programme so farmers were encouraged to *pull land out of production* where there were ground water quality problems.

Mr Don Lipton, a spokesman for the US Farm Bureau praised Mr Yeutter for acknowledging the problems "without trying to shackle farmers with a lot of restrictions."

WORLD COMMODITIES PRICES

LONDON MARKETS

A FRESH assault by the gold market on resistance around the $425-a-troy-ounce level was repelled yesterday before the price closed on the London bullion market at $422.75 an ounce, up $1.50 on the day. Dealers said $425 was *proving a tough barrier,* but if and when it was breached they thought a quick run-up to $430 would *be on the cards. The possibility of* substantial political reform in the Soviet Union was only a background *factor for gold, they added. The London* Metal Exchange saw moderate gains for zinc, lead, tin and nickel and equally moderate falls for copper and aluminium. Proportionally the biggest rise was special high grade zinc's $28.50 cash advance to $1,342.50, although it remained $13.50 down on the week so far. Dealers said fresh buying interest had been encouraged by "constructive" chart patterns.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$16.65-6.75z	-0.10
Brent Blend	$19.65-9.75z	-.175
W.T.I. (1 pm est)	$22.24-2.26z	-.295
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$225-227	-2
Gas Oil	$163-165	-3½
Heavy Fuel Oil	$88-90	
Naphtha	$195-198	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$422.75	+1.50
Silver (per troy oz)♣	538c	+7
Platinum (per troy oz)	$510.15	-1.85
Palladium (per troy oz)	$136.00	+0.25
Aluminium (free market)	$1415	-10
Copper (US Producer)	102⅝-104c	
Lead (US Producer)	40.5c	
Nickel (free market)	285c	
Tin (Kuala Lumpur market)	16.62r	
Tin (New York)	287c	
Zinc (US Prime Western)	65⅜c	+⅛
Cattle (live weight)†	108.88p	-1.76*
Sheep (dead weight)†	202.57p	-4.73*
Pigs (live weight)†	89.86p	+4.44*
London daily sugar (raw)	$355.4x	-3.2
London daily sugar (white)	$429x	-3
Tate and Lyle export price	£323	-2
Barley (English feed)	£113.75	-0.50
Maize (US No. 3 yellow)	£126	
Wheat (US Dark Northern)	£130	
Rubber (spot)♥	Unq	
Rubber (Mar)♥	55.75p	
Rubber (Apr)♥	56.75p	
Rubber (KL RSS No 1 Mar)	231.0m	+0.5
Coconut oil (Philippines)§	$400t	-15
Palm Oil (Malaysian)§	$267.5	-8.0
Copra (Philippines)§	$270	
Soyabeans (US)	£158.0	-1.5
Cotton "A" index	75.60c	-0.60
Wooltops (64s Super)	568p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. x-Feb/Mar. t-Mar/Apr. v-Jan/Mar. w-Feb. z-Mar. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
Mar	612	620	620	608
May	623	631	631	618
Jul	630	644	642	628
Sep	648	660	659	646
Dec	673	685	684	671
Mar	692	705	703	691
May	706	720	718	705

Turnover: 10426 (8287) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Feb 7 738.84 (751.03) 10 day average for Feb 8 758.45 (758.44)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low	
Mar	553	549	554	550
May	562	557	559	556
Jul	576	576	583	576
Sep	594	591	599	592
Nov	611	607	616	608
Jan	626	620	630	625
Mar	647	642	642	

Turnover: 2802 (4842) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Feb 6: Comp. daily 61.85 (62.27). 15 day average 62.23 (62.14)

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Mar	330.00	323.20	331.00	319.60
May	329.40	328.00	331.60	319.60
Aug	328.20	321.80	328.80	318.40
Oct	318.00	312.40	318.60	310.00
Dec	313.00	310.60	308.00	
Mar	294.40	290.00	294.80	288.00
May	293.00	288.80	292.00	
White	**Close**	**Previous**	**High/Low**	
Mar	434.9	428.3	433.0	425.0
May	430.5	424.6	459.0	421.0
Aug	433.0	427.5	427.0	423.5
Oct	396.5	391.5	426.0	389.5

Turnover: Raw 5302 (2882) lots of 50 tonnes. White 2468 (1108)
Paris- White (FFr per tonne): Mar 3412, May 2405, Aug 2445, Oct 2255, Dec 2105, Mar 2065.

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low	
Mar	19.73	19.92	19.72	19.59
Apr	19.20	19.31	19.25	19.12
May	18.63	18.99	18.90	18.60
IPE Index	19.63	20.02		

Turnover: 8267 (9660)

GAS OIL – IPE $/tonne

	Latest	Previous	High/Low	
Feb	162.00	166.50	164.75	162.00
Mar	162.25	164.00	162.50	160.50
Apr	159.50	160.50	160.50	158.25
May	158.75	159.50	158.75	158.50
Jun	158.25	158.00	158.50	157.25
Jul	159.50	159.50	159.50	157.50
Aug	159.25	161.50	159.25	
Sep	162.00	164.00	162.00	
Oct	163.00	163.50	163.00	

Turnover 10368 (7784)lots of 100 tonnes

WOOL
Australian prices are still held up by reserve buying. Weakness in the Australian dollar is continuing to create an easier tendency for overseas buyers. With demand already sluggish the UK market this week is extremely quiet. There have been renewed assurances concerning the AWC floor price. These seem to be necessary every three or four weeks to offset doubts related to the rapidly growing stockpile and the lack of any signs of major revival in world demand. Bradford prices for tops are generally lower though individual reductions are cautiously made in view of the volatility of currency markets.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 21,850 tonne
Cash	1416-8	1418-22	1417/1415	1416-7		
3 months	1432-3	1435-7	1446/1429	1430-1	1430-1	34,386 lots
Copper, Grade A (£ per tonne)						Ring turnover 35,425 tonne
Cash	1319-21	1326-7	1325/1324	1323.5-4.5		
3 months	1330-1	1337-8	1336/1327	1334-5	1330-1	61,033 lots
Lead (£ per tonne)						Ring turnover 4,150 tonne
Cash	424-6	423-4	427/422.5	422.5-3.0		
3 months	414-4.5	414-5	416/413	413-4	415-6	9,899 lots
Nickel ($ per tonne)						Ring turnover 1,854 tonne
Cash	6190-220	6180-210	6125	6125-35		
3 months	6180-200	6130-50	6200/6110	6125-50	6150-75	6,969 lots
Tin ($ per tonne)						Ring turnover 695 tonne
Cash	6250-70	6220-40		6335-45		
3 months	6380-90	6350-60	6470/6400	6465-70	6400-10	5,296 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 10,375 tonne
Cash	1340-5	1313-5	1335/1328	1326-9		
3 months	1333-5	1310-1	1339/1322	1320-2	1339-40	18,638 lots
Zinc ($ per tonne)						Ring turnover 1,200 tonne
Cash	1335-40	1320-5		1325-35		
March 30	1305-15	1290-300		1300-10		1,031 lots

LME Closing £/$ rate: SPOT: 1.7000 3 months: 1.6731 6 months: 1.6465 9 months: 1.6240

POTATOES – IPE £/tonne

	Close	Previous	High/Low	
Feb	137.0	140.0	140.0	139.9
Apr	193.4	194.0	195.5	192.5
May	218.0	220.0	220.5	217.0

Turnover 427 (760) lots of 40 tonnes.

SOYABEAN MEAL – IPE £/tonne

	Close	Previous	High/Low	
Apr	129.00	128.00	129.00	128.40
Aug	125.00		125.00	

Turnover 80 (179) lots of 20 tonnes.

FREIGHT FUTURES – IPE $10/index point

	Close	Previous	High/Low	
Feb	1554	1583	1583	1550
Mar	1582	1582	1583	1570
Apr	1600	1605	1605	1593
Jul	1361	1364	1369	1355
Oct	1486	1490	1490	
BFI	1588	1606		

Turnover 353 (549)

GRAINS – IPE £/tonne

Wheat	Close	Previous	High/Low	
Mar	113.00	113.80	113.10	112.70
May	117.15	118.00	117.25	116.75
Jun	119.15	120.05	119.15	118.90
Sep	105.95	106.05		
Nov	108.90	109.00	108.95	108.90
Barley	**Close**	**Previous**	**High/Low**	
Mar	107.95	108.10	108.00	107.95
May	109.80	110.25	109.80	

Turnover: Wheat 675 (349), Barley 18 (55).
Turnover lots of 100 tonnes.

PIGS – IPE (Cash Settlement) p/kg

	Close	Previous	High/Low
Feb	111.5	113.0	
Apr	116.0	116.0	115.0
Jun	118.0	118.0	
Oct	118.0	118.5	118.0

Turnover 15 (55) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	422½-423	248½-249
Opening	419½-420	246½-247
Morning fix	419.90	246.710
Afternoon fix	423.75	249.191
Day's high	424-424½	
Day's low	419¼-419¾	
Coins	**$ price**	**£ equivalent**
Mapleleaf	431-436	253½-256½
Britannia	431-436	253½-256½
US Eagle	431-436	253½-256½
Angel	431-436	253½-256½
Krugerrand	423-426	249-251
New Sov.	99½-100½	58-59
Old Sov.	99½-100½	58-59
Noble Plat	516.25-524.45	303.75-308.60
Silver fix	**p/fine oz**	**US cts equiv**
Spot	311.10	530.25
3 months	322.50	541.05
6 months	334.15	552.25
12 months	357.65	576.45

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	May	Mar	May
1400	43	62	14	32
1450	17	37	37	55
1500	6	20	74	87
Copper (Grade A)	**Calls**		**Puts**	
2200	79	102	34	61
2250	51	77	55	105
2300	37	59	89	136
Coffee	**Mar**	**May**	**Mar**	**May**
500	58	68		5
550	11	33	8	20
600		13	47	50
Cocoa	**Mar**	**May**	**Mar**	**May**
550	61	77		5
600	16	41	5	19
650	1	18	40	46
Brent Crude	**Apr**	**May**	**Apr**	**May**
1900	68	60	45	72
1950	35	41	66	103
2000	20	25	100	140

US MARKETS

THE PRECIOUS METALS firmed initially on local buying which touched-off commission house stops as prices responded to a slightly weaker US dollar and, later, a steady US Stock Market, reports Drexel Burnham Lambert. Trade buying *was noted each* time the markets dipped. However, late in the session, the dollar firmed, gold and platinum eased as locals took profits, touching off sell stops. Silver *prices* remained in the plus column by virtue of continued option-related book-squaring and arbitrage buying, but closed with pared gains. Copper was confined to a range with early professional selling leading to local activity before late short-covering took prices to the higher end of the day's range. The energy complex was lower across the board *in response to* bearish A.P.I. statistics. Coffee rallied as trade buying and commission house *short-covering emerged following* reports of good physical off-take. Sugar opened lower, but rallied as trade *buying touched-off commission house* stops. Cocoa eased with trade and technical selling.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Feb	418.1	421.3	425.0	417.2
Mar	420.0	423.4	0	0
Apr	423.1	426.4	429.7	422.2
Jun	428.8	432.1	435.4	427.5
Aug	434.0	437.3	436.8	434.0
Oct	439.5	442.8	0	0
Dec	445.0	448.3	451.0	445.0
Feb	450.7	454.0	451.0	450.5
Apr	456.1	459.4	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Feb	505.4	511.3	0	0
Apr	512.0	518.3	521.5	510.0
Jul	517.7	524.4	527.0	517.0
Oct	523.7	530.4	530.0	526.0
Jan	530.2	536.9	0	0
Apr	537.7	544.4	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Feb	531.1	530.6	532.0	532.0
Mar	537.8	533.5	544.0	531.6
Apr	533.6	537.7	0	0
May	542.1	542.0	553.0	539.5
Jul	550.6	550.4	560.5	550.0
Sep	559.4	559.2	566.0	559.0
Dec	571.2	571.0	580.0	570.5
Jan	574.7	574.5	0	0
Mar	583.4	583.2	594.0	591.0
May	591.5	591.3	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Feb 7	Feb 6	mnth ago	yr ago
1773.9	1773.4	1815.2	1975.8

DOW JONES (Base: Dec. 31 1974 = 100)

	Feb 6	Feb 5	mnth ago	yr ago
Spot	128.13	128.56	128.15	135.40
Futures	129.76	129.59	130.62	139.57

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	100.75	100.00	100.75	98.90
Mar	100.05	99.29	.20	97.70
Apr	99.00	98.50	99.00	97.70
May	98.55	98.20	98.50	96.90
Jun	97.90	97.60	0	0
Jul	97.45	97.20	97.40	96.10
Aug	96.95	96.70	0	0
Sep	96.35	96.10	96.15	95.15
Oct	95.90	95.70	0	0
Nov	95.50	95.30	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Mar	22.24	22.51	22.43	22.12
Apr	21.59	21.83	21.75	21.50
Jun	21.00	21.10	21.05	20.85
Jul	20.70	20.77	20.78	20.65
Aug	20.41	20.47	20.50	20.26
Sep	20.17	20.23	20.20	20.10
Oct	20.00	20.05	20.04	19.90
Dec	19.82	19.86	19.88	19.75

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Mar	5545	5619	5590	5505
Jun	5255	5248	5280	5200
Jul	5250	5236	5260	5210
Aug	5300	5296	5325	5285
Sep	5395	5368	5410	5380

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	942	965	955	940
May	941	965	954	936
Jul	953	976	0	952
Sep	973	996	985	970
Dec	997	1016	1008	997
Mar	1018	1037	1030	1018
May	1029	1050	0	0
Jul	1040	1064	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	81.66	80.04	81.80	80.06
May	83.20	81.79	83.30	81.80
Jul	84.83	83.60	85.00	83.80
Sep	86.45	85.18	86.50	85.30
Dec	88.60	87.38	88.60	87.40
Mar	90.50	89.38	90.50	90.50
May	92.50	91.25	92.50	92.00
Jul	94.60	93.00	94.50	94.50

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	14.97	14.60	15.00	14.45
May	14.95	14.56	14.97	14.48
Jul	14.80	14.42	14.80	14.32
Oct	14.35	14.06	14.38	13.94
Mar	13.59	13.33	13.60	13.28
May	13.47	13.24	13.47	13.47
Jul	13.36	13.20	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	66.93	66.52	66.96	66.16
May	68.22	67.90	68.25	67.60
Jul	68.43	68.14	68.48	67.75
Oct	66.10	66.05	66.12	66.00
Dec	64.95	64.90	64.95	64.65
Mar	65.60	65.60	0	0
May	66.12	66.20	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	198.45	195.05	0	192.25
May	195.25	192.60	197.60	190.00
Jul	192.00	189.25	194.00	186.00
Sep	187.95	186.00	190.00	182.00
Nov	183.50	182.60	186.00	179.60
Jan	180.00	178.50	179.75	179.00
Mar	178.85	178.50	0	0
May	178.85	178.50	0	0
Jul	178.85	178.50	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	567/6	562/6	568/4	563/4
May	579/0	574/6	579/6	576/4
Jul	590/2	585/6	591/0	587/0
Aug	594/4	589/4	594/4	590/2
Sep	591/2	587/6	592/6	588/0
Nov	595/4	590/4	596/4	591/0
Jan	605/0	600/0	605/0	0
Mar	615/0	611/0	615/0	612/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	19.26	19.09	19.31	19.11
May	19.60	19.44	19.64	19.44
Jul	19.84	19.69	19.88	19.70
Aug	19.88	19.78	19.90	19.75
Sep	19.88	19.72	19.88	19.78
Oct	19.88	19.71	19.86	19.83
Dec	19.97	19.83	19.97	19.86
Jan	19.94	19.85	19.96	19.92

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Mar	168.8	167.4	169.1	167.7
May	172.2	170.6	172.4	171.0
Jul	175.4	173.6	175.6	174.1
Aug	176.8	175.3	177.0	175.7
Sep	178.3	176.4	178.3	0
Oct	179.0	178.0	179.5	178.0
Dec	182.0	180.4	182.0	180.6
Jan	183.0	181.0	183.0	0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	239/2	237/6	239/4	238/0
May	244/6	243/2	245/0	243/6
Jul	249/0	247/2	249/0	247/6
Sep	246/2	245/0	246/6	0
Dec	243/6	242/4	244/4	242/6
Mar	250/2	249/0	250/2	249/0
May	253/6	252/4	254/2	253/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	383/0	382/6	385/0	382/6
May	366/4	367/0	368/0	366/4
Jul	346/0	346/4	348/4	346/2
Sep	354/2	352/2	354/4	353/4
Dec	364/4	362/6	365/0	363/0
Mar	370/6	369/0	371/0	370/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	79.72	79.35	79.80	79.25
Apr	77.42	77.27	77.47	76.95
Jun	72.82	72.62	72.87	72.45
Aug	71.50	71.37	71.52	71.15
Oct	72.80	72.75	72.80	72.50
Dec	73.47	73.50	73.60	73.12
Feb	73.36	73.35	73.35	73.25

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Feb	49.15	48.82	49.20	48.65
Apr	47.12	46.72	47.17	46.55
Jun	52.15	51.67	52.20	51.50
Jul	52.10	51.95	52.20	51.70
Aug	50.42	50.25	50.55	50.20
Oct	45.90	45.80	45.90	45.82
Dec	45.82	45.95	46.20	45.76
Feb	46.40	46.20	46.40	0

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	50.50	50.50	51.05	50.05
Mar	50.95	50.80	51.40	50.20
May	52.30	52.02	52.65	51.50
Jul	52.50	52.32	52.85	51.80
Aug	50.55	50.40	50.95	50.10
Feb	55.05	54.75	55.70	55.02
Mar	55.50	55.00	55.50	0

LONDON STOCK EXCHANGE

Market bounces at Footsie 2,300

WEAKNESS in the bond markets, both in the UK and elsewhere, drove equities lower in London yesterday, although selling pressure remained light and a good rally set in when Wall Street reversed an early fall. Trading volume was thin as fund managers stayed on the sidelines until the completion of this week's round of auctions of US Treasury securities.

The trend of the market remained erratic, with share prices firm at first, on a generally acceptable outcome to the first of the US bond auctions, held overnight, plunging smartly as London caught the hint of a lower opening on Wall Street, and then steadying towards the close of trading.

Account Dealing Dates		
First Dealings: Jan 29	Feb 12	Feb 26
Option Declarations: Feb 8	Feb 22	Mar 8
Last Dealings: Feb9	Feb 23	Mar 9
Account Day: Feb 19	Mar 5	Mar 19

*New time dealings may take place from 9.00 am two business days earlier

The early rally on Wall Street came at a critical moment for the London market, which had just dipped below the Footsie 2,300 mark, into an area which had proved an institutional buying range a month ago. While there was little institutional buying yesterday, the late rally took the FT-SE Index to a closing level of 2,307.4, a net loss on the day of 13.7, but a favourable sign for chart strategists in the equity market.

While relieved that the Footsie had closed above 2,300, traders were agreed that the main hurdle to be faced is the auction tomorrow of 30 year US Federal bonds, which is likely to set the near term trend for US bond yields and to disclose the hand of Japanese fund managers.

Losses in UK bonds yesterday widened the yield gap against equities to around 6 per cent, "at the top of the historic range", commented Mr Bill Smith at Prudential-Bache.

Despite this uncertain backcloth, the equity market was not under pressure. Indeed, the chief feature of the session was the paucity of turnover – Seaq volume reached only 368.1m shares against 406.9m on Tuesday. Statistics issued by the Stock Exchange show that investor interest in equities has for the past week remained well below the £1bn daily total regarded as the sign of a healthy trading market.

Several equity strategists drew attention to the potential for institutional support at current equity levels, provided that the US bond auctions pass off smoothly. Also holding back equities in the near term is the prospect of poor UK company results ahead, which has already been reflected in widespread profits downgradings by market analysts, as well as by trading difficulties in the consumer sector.

At Kleinwort Benson Securities, Mr Trevor Laugharne urged investors to "watch out for good opportunities for short term trading gains." Mr John Reynolds at County NatWest stressed the significance of the Footsie close above 2,300, and said he was recommending clients to pick up stock selectively.

FINANCIAL TIMES STOCK INDICES

[illegible]

Storms to hit profits

The insurance sector of the market, and the composites in particular, was given a severe buffeting as dealers and analysts became concerned over the affects on profits of the latest gales which swept the UK. Sector analysts drastically cut profit forecasts for the leading insurers as they took account of the new round of damage claims likely to face companies already hurt by those for the January storms in the UK.

At BZW, Mr David Hudson, composite insurance analyst, said the the insurers' losses are now expected to be "quite a bit higher" than his own recent estimates, which took in the January storms. At Flemings Research, Mr Peter Constable also altered his forecasts; he has cut his estimates for 1990 pre-tax profits for Sun Alliance from £250m to £175m, for Royal Insurance from £175m to £125m, and for General Accident from £200m to £60m. He lopped £15m from his Commercial Union forecast, to £110, and £15m from his Guardian Royal forecast, to £140m.

Commercial Union closed 13 down at 492p, General Accident 24 off at 1139p, Guardian Royals 6 easier at 236p Royals 8 down at 500p and Sun Alliance 4 cheaper at 309p.

Prudential, 3 off at 218p, and Legal & General, 5 cheaper at 406p, also suffered from the impact of storm damage, the costs of which are "escalating" according to BZW's Mr Alan Curtis. He cut his Legal & General expectation for 1990 from £153m to £128m and that for Prudential from £385m to £340m.

Reuters again firm

Heavy buying of Reuters continued, and the shares had a turbulent ride throughout the day. Initially up 29 at 1050p at their peak, the price eventually slipped to close 10 up on balance.

Much of the buying was done by Henderson Crosthwaite, which has been a persistent buyer of the stock for the last week. Suggestions that Cazenove, whose policy is not to comment on market developments, had increased their profits estimate for the current year, also helped sentiment; the annual results are scheduled for February 13.

Mr Brian Newman, of Henderson Crosthwaite, said they were buying the stock because next week's statement could show an increase in profits before tax from £215m to £275m. The fact that 80 per cent of Reuters' profits come from outside the UK, and that its new forex services, Dealing 2000 and Money 2000, will become available next year, all helped to encourage buying.

There has been an increase in British buying in the last two weeks. Currently 45 per cent of the stock is held in the US, and 9 per cent in the Middle East.

Bass deal

Bass jumped forwards following the announcement late in the session that their deal to buy the Holiday Inn chain of hotels in the US from the Holiday Corporation was to go ahead. The shares had been 4 easier for the day, but were marked up on the news to 993p, a penny stronger.

Bass shares will start trading in New York today, as a result of the deal, and the market regards the news bullishly. Dealers commented that there had been relatively little trade today, but, one marketmaker said, "Bass will be really exciting on Thursday."

Midland was the only leading high street bank to close higher on the day, the shares edging up 2 to 367p on volume of 1.3m shares, still sustained by takeover speculation concerning Hongkong & Shanghai Banking.

Union Discount featured with an 18 gain at 603p after the discount house unveiled preliminary profits well in excess of market expectations, up from £3.5m to £10.5m.

Hambros were the outstanding performer in merchant banks on further speculation of possible bid moves from Baltica, the Danish insurance and banking group which on Monday announced it had increased its holding in Hambros to 14.03 per cent.

There was again speculation of possible predatory moves against the bank but dealers and analysts pointed to the Bank of England limit of 15 per cent stakes in UK banking groups. They also noted that most estimates of Hambros' take-out price were in the region of only 350p.

As well as Baltica, Banco San Paolo di Torino has a 12.2 per cent stake in the bank, Banco Bilbao Vizcaya a 6 per cent holding, Guardian Royal 8.7 per cent and Mitsui just under 5 per cent.

A slightly weaker trend in crude oil prices, coupled with growing nervousness ahead of the Department of Trade and Industry's recommendations on the Monopolies Commission report into petrol retailing, expected on Monday, saw the oil sector drift easier.

"There's been no big selling by the institutions, just profit-taking, which looks right after the sector relative has been hitting four-to-five year highs," said one trader.

BP fell 3 to 341p on 7m shares traded; the fourth-quarter figures are scheduled for February 15. Shell, due to report on February 21, gave up 4 to 475p on 2.2m.

Shares in ICI maintained a performance ahead of the market throughout the day, finishing at 1076½p, 2¼ weaker for the day. The news that an advisory committee of the Food and Drugs Administration in the US has recommended that ICI's cancer therapy drug Nolvadex be made available to a greater number of patients counterbalanced recent bad news for the pharmaceuticals division on the diabetes drug Statil, and buoyed the share price throughout the day.

SmithKline Beecham had a bruising day, after the chairman Mr Bob Bauman discussed difficulties in the sale of the company's cosmetics business in a press interview. One analyst said that this had been known about since the merger of SmithKline and Beecham, but the shares still fell, nonetheless to close at 537p, off 7.

Hanson buoyed by strong US buying recently, fell 2½ to 227p. One marketmaker said: "The big buyer seems to have pulled his wings in." BAT Industries stayed level at 802p.

Grand Metropolitan stood out among the brewers, gaining 6 at 564p. Dealers also reported strong business in the share options. One analyst commented that fears of a rights issue, to fund a projected deal with Courage, had receded somewhat. The market would now anticipate a cash injection from such a move, rather than a call for fresh funds. Sentiment may also have been helped by Tuesday's Wimpy management deal.

Other stocks in the sector fell in line with the market, with Guinness further weakened by profit-taking at 643p, off 5. Mr James Buchanan of Hoare Govett said that he still thought Guinness was on course to outperform the market this year, while Mr Geoff Collier of County NatWest said that on the basis of earnings growth, he would argue that Guinness is 20 points too cheap.

Volume in Whitbread was maintained by a 1.5m cross-trade made by James Capel, about which the brokers were not prepared to comment. The shares were 5 off at 390p. Vaux Group dropped 4 to 295p on the back of Tuesday's company 'open day', which revealed worries over wholesale sales.

Hazlewood lost 5 to 223p on talk of a share placing as 3m changed hands.

There were plenty of features in the leisure sector. Really Useful Group, the entertainments group created by Mr Andrew Lloyd Webber, the composer of many hugely successful West End musicals, rose 10 to 228p after Mr Lloyd Webber announced a 233p a share offer to take the group private. It was floated on the market in January 1986.

Carlton Communications were 4 off at 769 after a Kleinwort sell recommendation. Euro Disneyland were 5 lower at 1098p.

The announcement that Regalian, the commercial and residential property development group, planned to sell its entire £180m London residential portfolio in a series of cut-price deals was received positively by the market, with its share price gaining 5 to 85p.

"It's a good initiative from the group if it helps its cash flow," said one analyst. "If it's successful it could be followed by other property companies. But it is an if. Do people want to buy properties in Docklands? I'd want to wait until the money starts coming in first before I am convinced," he added.

Regalian's move also kept alive the worries about the property sector that been sparked off at the begining of the week when Rosehaugh announced its rights issue. Once again, Rosehaugh lost ground, falling a further 14 to 319p, a loss of 146p since Friday.

Rosehaugh's weakness kept Greycoat on the defensive, dropping 8 to 412p. Some of second line stocks which are perceived to be highly geared also remained weak. Priest Marians fell back as dealers continued to wonder whether JMB Reality of Chicago may decide to dispose of its near 30 per cent stake and use the aftermath of the rights issue to increase its 5 per cent stake in Rosehaugh. Priest Marians fell 10 to 178p, a loss of 80 since Friday. Peel Holdings, another second liner recently under pressure, fell 10 to 178p. However, Laing rose 2 to 660p following the bid earlier in week by Chelsfield and P & O.

Buyers going for a high yield helped British Steel remain unchanged at 135p as Hoare Govett cut its profits forecast for the company. Turnover at 2.9m shares was low by British Steel's usual standards.

For the year to March 1990, Hoare Govett shaved its forecast by £10m to £720m, and cut the 1991 forecast by £100m to £550m. Explaining the downgrading, Mr Mark Wright at Hoare Govett said he expected a "decline in the UK steel market. Although much of the previous UK sales will be diverted overseas, steel prices overseas are likely to be less than those in the UK; ore and coal costs are rising; and we should see a weakening of the pound against the dollar, which would inflate costs."

Smith Industries were one of the better performers in an otherwise dull day. The price gained 4 to 252p before coming back to close 2 up at 250p on reasonable turnover of 687,000 shares, with dealers saying that the worries over the European Fighter Project(EFA) which weakened the shares last week had been overdone.

Christies International, the UK auction house, rose 9 to 317p following the disclosure that ADT had increased its holding in the company from 6.4 per cent to 8.5 per cent of Christies' total share capital, including the "A" stock. An analyst, however said: "It is difficult to know how to read this move by ADT." ADT shares closed 2 down at 193p.

The market appears to have revised its opinion on Securicor Group's disappointing full-year results released the previous day. Securicor "A" bounced 13 to 816p, while Security Services, 51 per cent owned by Securicor, added 12 at 695p.

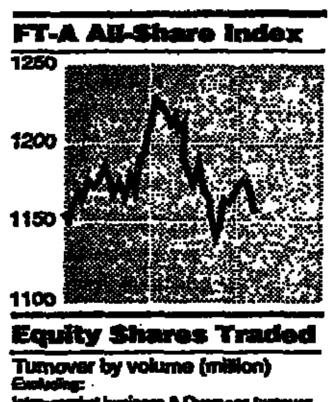
Williams Holdings held firm, closing unchanged at 239p. Robert Fleming Securities issued a buy note yesterday reversing its two year negative stance on the stock said: "No major stock in the conglomerates or other industrial materials indices has such scope for rerating over the next 18 months as we emerge from the current economic gloom," said Fleming. County Natwest is also recommending the stock, believing "later in 1990 Williams will become one of the most popular companies in the stock market."

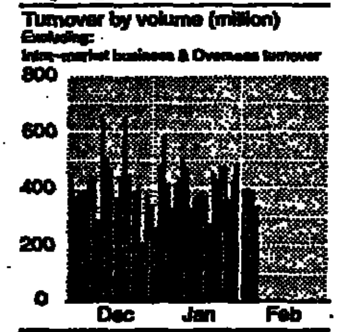
BOC traded nervously ahead f today's preliminary figures, slipping to 522p before recovering to close at 526p, unchanged on the day.

British Telecom dipped 5 more to 298p on 5m with dealers bracing themselves for the group's third quarter figures scheduled for this morning – most analysts are expecting pre-tax profits in the region of £685m.

Cable & Wireless moved against the market trend adding 7 at 543p; news of the CITIC acquisition of a 20 per cent block of Hong Kong Telecom stock is said top be imminent.

■ Other Market statistics, including the FT-Actuaries share index, London Traded Options, and recent issues (including the water issue stocks) Page 19





TRADING VOLUME IN MAJOR STOCKS

[illegible]

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

NEW HIGHS AND LOWS FOR 1989/90

NEW HIGHS (38).
BRITISH FUNDS (1) CANADIANS (1) BANKS (2) STORES (1) ELECTRICALS (1) ENGINEERING (2) INDUSTRIALS (2) RCO, Rauma-Repola, INSURANCE (1) MOTORS (1) PROPERTY (1) SOUTH AFRICANS (1) TEXTILES (1) TRUSTS (2) OILS (1) MINES (7).
NEW LOWS (135).
BRITISH FUNDS (28) INT.BANK & O'SEAS GOVT. STLG. ISSUES (8) FOREIGN BONDS (3) AMERICANS (8) CANADIANS (8) BANKS (4) BREWERS (2) BUILDINGS (4) CHEMICALS (2) STORES (5) ELECTRICALS (7) ENGINEERING (2) FOODS (1) INDUSTRIALS (12) Alumasc, Beer Brand, Beaverco, Hartons, Lincoln House, Norcros, Porth Group, Sale Tilney, Savage, Silverlines, Sketchley, Young (H.), INSURANCE (1) LEISURE (2) MOTORS (2) NEWSPAPERS (1) PAPERS (3) PROPERTY (19) SHOES (1) TOBACCOS (1) TRANSPORT (2) TRUSTS (8) OILS (2) THIRD MARKET (2).

APPOINTMENTS

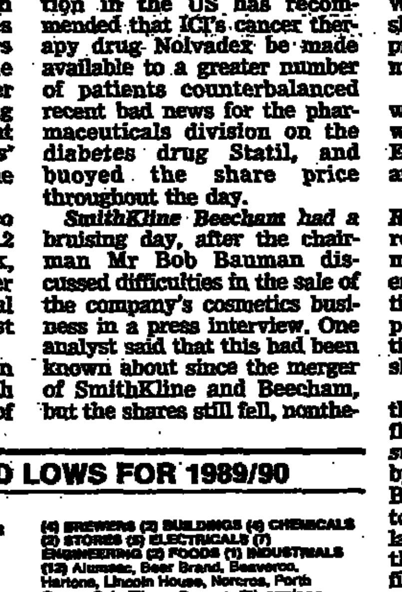
Finance director at GRE

■ Mr James Morley has been appointed general manager and finance director at GUARDIAN ROYAL EXCHANGE. He was deputy chief executive and group finance director of Avis Europe.

■ BICC, the international cables and construction group, has appointed Mr Ron Henderson as its new finance director. He is currently finance director of BICC Group subsidiary Balfour Beatty. He succeeds Mr Richard Morgan who retires at the annual meeting in April. Mr Henderson has become a director of BICC and will assume responsibility for the overall direction of the group's financial, taxation and accounting procedures on April 11.

■ HILL SAMUEL INVESTMENT MANAGEMENT GROUP has appointed Mr Richard A. Cawdron as finance director.

■ Mr Stuart Raistrick has been appointed company secretary of NORTHUMBRIAN WATER GROUP. He was corporate planning manager, and succeeds Mr Ian Cartwright who has resigned.



LLOYDS BANK has appointed Mr Denis Holt (above) as its chief registrar. He replaces Mr Gwyn Jones who has retired. Mr Holt was previously a senior manager in the bank's corporate banking division with responsibility for London-based specialist City financial markets.

■ TERINEX, Bedford, has promoted Mr John Donaldson to marketing director, and Mr Bryn Wickins to catering sales division director.

■ Mr Graeme Baker becomes director and chief executive of THE BUILDING SERVICES RESEARCH AND INFORMATION ASSOCIATION from March 1, taking over from Dr Derek Gregory who is retiring. Mr Baker, who has been on the staff for 23 years, is an assistant director.

■ NORCROS, Bracknell, has appointed to its central financial team Mr Iain Martin as group controller and Mr David Taylor as group taxation manager. Mr Martin joins from Chloride Group, and Mr Taylor from Siebe.

■ LONDON & METROPOLITAN has appointed Mr Bryan Harris as managing director of L&M Chestergate. He was with Viking Properties. Mr Neil Munro becomes managing director of L&M Scotland, and Mr Bob Melville is made a director.

■ VOLEX GROUP has appointed Mr Howard Poulson as group managing director and chief executive officer from March 1. He joins from Dobson Park Industries, where he was main board director responsible for the industrial electronics division.

■ BRITANNIA BUILDING SOCIETY has promoted Mr John L. Hill, joint deputy chairman, to chairman, following the retirement of Mr Norman Cowburn. Mr Hill has been a director of the society since 1964. Mr Stephen Sebire, a board member since 1983, becomes joint deputy chairman (with the Earl of Shrewsbury). Mr Sebire is managing director of Berisfords.

■ Mr John Jasper, managing director of Telecom Capita, and Mr Brian Kerslake, managing director of Capita Management Consultancy, two of the group's largest subsidiaries, have been appointed to the main board of THE CAPITA GROUP. Mr Roger Brier is leaving the main board, but will retain his shareholding and continue to work for the group on large-scale consultancy contracts.

■ BANK OF SCOTLAND has appointed Professor J.C. Shaw as an ordinary director. He is executive director of Scottish Financial Enterprise.

■ Mr William T.C. Offer has been appointed chairman of JAMES GALT & CO, Cheadle. He has been a director since 1965.

■ Mr Barry Steer, sales and marketing director, has been promoted to managing director of BRITAINS PETITE, a subsidiary of Dobson Park Industries. Mr Tony Crump becomes head of marketing for both Britains Petite and sister company Kango.

■ Mr Robin Derville has joined WHITEFRIARS as an executive director. He was with ANZ McCaughan.

■ GRANADA UK RENTAL has appointed Mr Roger Dickinson as managing director, UK Rental Services. He was managing director of Serviscope. Mr Mike Neal, commercial director of Granada TV & Video, becomes managing director.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Stock	Price £	+ or –	Yield Int.	Yield Red.
Exch 11pc 1990‡‡	99¾xd		–	–
Exch. 12½pc 1990	99	+1/32	12.54	14.73
Treas. 3pc 1990	97		3.07	11.93
Treas 8¼pc 1987–90‡‡	98		8.41	13.85
Treas. 8pc Cv 1990 ‡‡	97⅝	+1/16	8.20	13.82
Treas. 10pcCv 1990	97½	+1/16	12.30	14.34
Exch 2½pc 1990	93¾		2.66	10.82
Treas 11¾pc 1991	98		11.98	14.04
Funding 5¾pc '87–91‡‡	93		6.17	12.19
Treas. 3pc 1991	90		3.31	11.14
Treas 10pc Cv '91 ‡‡	96		10.42	13.19
Exch. 11pc 1991	96½		11.40	13.35
Treas. 8pc 1991	91		8.72	13.21
Treas 12¾pc 1992‡‡	99		12.79	12.91
Treas 10pc 1992	94xd		10.53	12.92
Treas. 8pc 1992 ‡‡	91		8.79	12.81
Treas 10½pc Cv 1992‡‡	95		10.96	12.67
Treas. 3pc 1992	84		3.56	10.76
Exch. 12¼pc '92	98xd		12.38	12.75
Exch 13½pc 1992	101		13.27	12.66
Treas 8¼pc 1993	89xd		9.21	12.49
Treas 10pc 1993‡‡	93		10.64	12.30
Treas 12½pc 1993‡‡	100		12.42	12.27
Funding 6pc 1993‡‡	84xd		7.07	11.24
Treas 13¾pc 1993‡‡	104		13.13	12.13
Treas. 8½pc 1994	88xd		9.58	12.16
Treas 14½pc 1994‡‡	107		13.43	11.97
Exch 13½pc 1994	104½		12.92	12.09
Treas. 10pc Ln. 1994‡‡	93		10.68	11.92
Exch. 12¼pc 1994	101xd		12.32	12.07
Treas 9pc 1994‡‡	89		10.01	11.82

Five to Fifteen Years

Stock	Price £	Yield Int.
Treas 12pc 1995	100	11.99
Exch 3pc Gas 90–95	75½	3.97
Exch. 10¼pc 1995	93	10.99
Treas 12¾pc 1995‡‡	104	12.29
Treas. 14pc '96	108	12.89
Treas. 9pc 1992–96‡‡	88xd	10.13
Treas 15¼pc 1996‡‡	115	13.24
Exch 13¼pc 1996‡‡	106	12.42
Conversion 10pc 1996	92	10.79
Treas 13¼pc 1997‡‡	107	12.35
Exch 10½pc 1997	94xd	11.06
Treas 8¾pc 1997‡‡	86xd	10.07
Exch 15pc 1997	115	12.97
Exch. 9¾pc 1998	91	10.69
Treas 6¾pc 1995–98‡‡	77	8.73
Treas. 15½pc '98‡‡	120	12.87
Exch. 12pc 1998	102	11.74
Treas 9½pc 1999‡‡	90	10.49
Exch. 12¼pc 1999	103	11.80
Treas. 10½pc 1999	94	11.07
Conversion 10¼pc 1999	93	10.98
Treas. 8½pc Ln 2000‡‡	84	10.08
Conversion 9pc 2000‡‡	87xd	10.32
Treas. 13pc 2000	108	11.95
Treas 10pc 2001	92xd	10.84
Treas. 14pc '98–01	111	12.56
Conversion 9¾pc 2001	90xd	10.85
Exch. 12pc '99–02	102	11.76
Conversion 10pc 2002	92	10.86
Treas 9¾pc 2002	90xd	10.71
Exch. 9pc 2002	86	10.45
Treas. 13¾pc 2000–03	112	12.18
Treas 10pc 2003	93xd	10.74
Treas. 11½pc 2001–04	100	11.43
Treas. 10pc 2004	93	10.70
Funding 3½pc '99–04	52	6.70
Conversion 9½pc 2004	90	10.54

Over Fifteen Years

[illegible]

Undated

[illegible]

BRITISH FUNDS—Contd

Index-Linked

1989/90 High	Low	Stock (b)	Price £	+ or –	(1)	(2)
112¼	103	Tr. 2pc '92‡‡(97.8)	111½		3.68	4.90
105	94	Do. 2 '94 (102.9)	104		3.27	3.86
156	139½	Do. 2pc '96(67.9)	153		3.27	3.66
131	118	Do 2½pc '01(78.3)	128		3.68	3.94
128	115	Do. 2½pc '03(78.8)	124		3.76	3.98
131	117	Do. 2pc '06(69.5)	127		3.76	3.94
123	110	Do. 2½pc '09(78.8)	118		3.75	3.92
128	114	Do. 2½pc '11(74.6)	124xd		3.72	3.88
107	95	Do. 2½pc '13(89.2)	102xd		3.70	3.85
115	101	Do. 2½pc '16(81.6)	111xd		3.65	3.79
119½	100	Do. 2½pc '20(83.0)	108		3.62	3.74
95	84	Do. 2½pc '24‡‡(97.7)	91		3.56	3.68

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for May 1989: 115.0 and for December 1989: 118.8.

INT. BANK AND O'SEAS

1989/90 High	Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
108	94	African Dv Bk 11¼Ln 2010	94		11.82	11.89
104	90	Asian Dev Bk 10¼pcLn2009	90		11.36	11.52
110	94	Euro Inv Bk 11pc Ln 2002	94		11.70	11.91
119	103	Int-Am Dev Bk 12½pc 2003	103		12.05	11.92
99	85	Do. 9¾pcLn 2015	85		11.43	11.50
97½	87	Mlysia 10¾pcLn 2009	87		12.36	12.55
120	110	Mexican States 16½pc 2008	110		11.00	14.90

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Contd

Stock	Price	+ or –	Div Gross	C'vr	Y'ld Gr's
Bio-Rad Labs. A	976p	+2			–
Bowater Inc.	14½		$1.20	–	5.0
Brunswick 75c	7		44c	–	3.6
CPC Intnl. 25c	37		$1.80	–	2.9
California Engy.	825p				–
Campbell Soup 15c	28xd		$1.00	–	2.1
Chase Manhattan $12½	17		$2.36	–	8.2
Chem. Banking Corpn.	15		$2.72	–	10.7
Chrysler $6¼	9½xd		$1.20	–	7.6
Citicorp $1	13xd		$1.62	–	7.1
Colgate-Palmolive $1	33xd		s$1.48	–	2.7
Cont'l Bank Corp $4	987p	–13	$1.00	–	6.1
Corporate Data Scnce	250p				–
Dana Corp. $1	18xd		$1.60	–	5.2
Data General	528p	–16			–
Dun & Bradstreet $1	26		$2.00	–	4.6
Eaton Corpn. 50c	29xd		h$2.00	–	4.0
Echlin Inc.	8		70c	–	5.3
FPL Group 1c	19xd		$2.28	–	6.9
Fluor Corp 62½pc	23		24c	–	0.6
Ford Motor $1	25xd		$3.00	–	7.2
Gen. Elect. 63c	36		$1.88	–	3.1
General Host Corp $1	330p	+8	30c	–	5.5
Gillette $1	27		96c	–	2.1
Gt American Bank Bk $1	345p	–6	20c	–	3.5
Greyhound $1½	17		$1.32	–	4.5
Hasbro Inc 50c	18		16c	–	0.9
Honeywell $1½	47		$2.75	–	3.5
Houston Inds.	20		$2.96	–	8.9
IBM Corpn $1¼	59xd		$4.84	–	4.9
Image Storage/R.Sys.Inc.	45p				–
Ingersoll-Rand $2	29xd		$1.20	–	2.5
Lockheed Crpn. $1	21xd		$1.80	–	5.0
Lone Star Inds $1	7xd		$1.90	–	15.1
Louisiana Land 15c	24		$1.00	–	2.5
Lowe's 50c	15		52c	–	2.0
Manuf. Hanover $1	17		$3.28	–	11.2
Merrill Lynch $1	12		$1.00	–	4.7
Molex Inc	23		3.2c	–	0.1
Morgan (JP) $2½	20xd		$1.82	–	5.4
Morris (Philip)	22xd		$1.13	–	3.0
NYNEX $1	47		$4.34	–	5.5

[illegible]

CANADIANS

[illegible]

Continued on next page

LONDON SHARE SERVICE

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BANKS, HP & LEASING

1989/90 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
*303	216	ANZ SA1	270	-8	44c	1.4	7.4	9.6
191	134	Abbey National 10p	184½	-2½	7.7	2.7	5.6	7.5
*282	120½	Allied Irish Ord	257	-1	[illegible]	3.3	3.1	13.2
£13½	£11¾	Algemene Fl.10	£12¾	-⅛	Q28%	2.0	7.3	6.8
*80	61	Anglo Irish	75	.....	Q18.7%	2.7	5.9	10.2
81	57	Ansbacher (H.) 1p	75	.....	2.0	—	3.6	—
£72¼	£38¼	Bancaire Cie Fr100	£59⅝	-¾	Q12¼%	—	2.2	—
£46¾	£35¼	Banco Bilbao Viz	£40¼	.....	Q35.7%	2.0	3.4	14.7
£33	£26⅝	Banco de Santander	£27¾	.....	Q21%	♦	3.0	♦
*286	169	Bank Ireland Ir£1	268	.....	[illegible]	3.2	4.3	9.2
£19½	£17½	Bank Leumi	£19½	.....		—	—	—
350	345	Bank Leumi (U.K.)	345	.....	†13.5	—	5.2	—
125	88	Bank Scotland	117	-1	†3.8	3.6	4.3	8.4
121¼	95½	Do. 9¼pc Irrd Pf.	97	.....	9¼%	—	12.7	—
*67	49	Bank of Wales	54	.....	2.8	1.6	6.9	11.3
*588	404	Barclays £1	565	-6	†23.0	3.5	5.4	6.4
31	19	Benchmark 20p	20	.....	1.63	1.0	10.8	11.5
363	285	Brown Shipley £1	315	.....	†10.5	—	4.4	—
455	325	Cater Allen £1	415	+2	23.5	—	7.6	—
259	157	Chancery	175	.....	†8.0	2.8	6.1	7.7
£23¾	£14½	Commerzbk DM10	£23	-⅛	Q18%	—	2.9	—
*£29	£22¾	C'hgn.Hbk.Kr100	£26	-½	Q15%	—	5.3	—
£16⅞	£10⅞	Dai Ichi KBk Y50	£11½	-⅛	†Q16%	8.8	0.3	40.4
£314¼	£156¼	Deutsche Bk DM50	£298¾	-9¼	Q24%	—	1.4	—
£22¼	£17¼	Espirito Santo	£19	-½	Q75c	3.3	2.4	12.9
260	182	First Nat. Fin. 10p	221	-1	13.0	♦	7.8	♦
134	90	FNFC 6.3pc Cv. Pf.	115	+1	6.3%	—	7.3	—
£16⅝	£13¼	Fuji Bank Y50	£14½	.....	Q15.6%	4.2	0.2	—
325	230	Gerrard & National	283	+2	18.5	—	8.7	—
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS — Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS — Contd

[illegible]

ENGINEERING

[illegible]

ENGINEERING — Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) — Contd

[illegible]

INDUSTRIALS (Miscel.) — Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LONDON SHARE SERVICE

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MOTORS, AIRCRAFT TRADES

Commercial Vehicles

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Garages and Distributors

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PROPERTY—Contd

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OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

MINES—Contd

Miscellaneous

THIRD MARKET

1989/90 High	Low	Stock	Price	+ or -	Div Net	C'vr	Gr's	P/E
39	20	Sleepy Kids 5p......y	25	......	-	-	-	-
*17½	5	Stalis Hldgs. 5p......	5½	......	-	-	-	13.0
*3¼	1¼	Swanyard Studios 1p y	1½	......	-	-	-	7.2
11	2½	Systems Connections 2½p. y	3	......	-	-	-	3.9
50	28	Tavern Leis. 20p... α	32	-1	♦	-	-	-
115	28	Tomorrows Leisure 20p y	87	......	-	-	-	33.1
113	35	UPL Group 10p.....y	48	+2	£2.75	1.9	‡	7.6
150	128	Unit Group.........y	137	+1	5.0	3.3	4.9	7.8
100	66	Video Magic Leis. 1p y	87	......	W2.0	0.7	3.1	69.8
14	4	Vista Ents 5p...... y	4	......	-	-	-	-
40	15	Vizcaya Hldgs 5p.. y	18	......	-	-	-	-
46½	23	Whitegate Leisure 20p. y	40	......	0.25	♦	0.8	♦
32½	10	Do. Wrrnts.........y	26	......	-	-	-	-
10¼	4¼	Wilton Group 1p...y	4½	......	-	-	-	-

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p....y	85	+2
Craig & Rose £1...y	830	......
Finlay Pkg. 5p....y	56	-2
Holt (Jos) 25p.....y	1340	......

IRISH

Cap. 8½% Ln. 1991...	£96⅞	......
9pc Cap Ln. 1996..	£94½	-½
Fin. 13% 97/02...	£112	-1
Arnotts..................	405	......
Carrol (P.J.).......y	159	-1
Hall (R. & H.).......	190	......
Helton Hldgs........y	103	......
IRG.......................	200	-5
United Drug..........	166xd	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	41
Amstrad	6½
Astec (BSR)	5¼
BAT	67
BOC Grp	44
BTR	37
Barclays	40
Blue Circle	20
Boots	23
Bowaters	39
Brit Aerospace	46
British Steel	9
Brit. Telecom	22
Cadburys	31
Charter Cons	42
Comm Union	40
Courtaulds	31
Eurotunnel	65
FKI	8
FNFC	22
Gen Accident	92
GEC	19
Glaxo	60
Grand Met	44
Guardian	19
GKN	33
Hanson	18
Hawker Sidd	55
ICI	90
Jaguar	85
Ladbroke	25
Legal & Gen	31
Lex Service	26
Lloyds Bank	21
Lucas Inds	54
Marks & Spencer	16
Midland Bk	26
Morgan Grenfell	38
Nat West Bk	23
P & O Dfd	51
Polly Peck	38
Racal Elect	20
RHM	39
Rank Org Ord	72
Reed Intnl	34
STC	25
Sears	9
SmKl. Beecham A	48
TI	38
TSB	9
Tesco	16
Thorn EMI	63
Trust Houses	23
T&N	16½
Unilever	57
Vickers	22
Wellcome	55

Property

Brit Land	27
Control Secs	5
Land Securities	45
MEPC	45
Mountleigh	13

Oils

Brit Petroleum	25
Burmah Oil	65
Charterhall	2½
Conroy Petlm	9
Premier	10½
Shell	37
Tuskar Res	12
Ultramar	20½

Mines

Lonrho	23
RTZ	45

FT UNIT TRUST INFORMATION SERVICE

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	48.87	48.87xd	52.27	-0.03	5.24
Gilts & Fixed Int	6	106.0	106.0	112.4	+0.1	9.79
High Inc Equity	6	136.1	136.1xd	145.6	-1.2	4.36
Worldwide Bond	6	194.9	194.9xd	206.4	-0.5	6.25
Capital Growth						
American Growth	6	177.3	178.9xd	190.4	+0.2	1.15
Asian Pacific	6	125.6	128.3	136.5	-0.3	0.95
Assets & Earnings	6	157.6	157.6	168.6	-1.0	2.19
Capital Reserve Acc	0	88.72	88.72	88.84	....	6.75
Capital Reserve Inc	0	78.72	78.72	78.83	....	7.41
Cmmdty & Energy	6	117.9	117.9	126.1	....	1.51
Dividend & Growth	6	46.75	47.76	50.81	+0.12	4.43
1992 Enterprise	6	62.34	62.34	66.68	-0.27	2.49
Euro Capital Acc	6	101.2	101.8	108.4	-1.3	0.69
Euro Capital Inc	6	97.45	98.23	104.5	-1.2	0.72
General	6	176.9	176.9xd	189.2	-1.5	2.64
International	6	61.97	62.80xd	66.81	-0.38	0.75
Japan	6	114.9	114.9	122.9	-1.0	0.00
Mastertrust	6	90.42	90.42	96.71	-0.54	1.76
UK Growth Acc	6	182.0	182.0	194.7	-0.8	1.63
UK Growth Dist	6	120.3	120.3	128.7	-0.5	2.47
US Emerging Cos	6	50.13	51.47	54.76	+1.56	0.00
Income & Growth	6	303.8	303.8	325.0	-1.6	3.15
Ethical	6	48.19	49.47	52.63	-0.19	1.90

Abtrust Management Ltd (1000)H
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Amer Inc & Growth	5¼	30.90	30.90	32.99	+0.01	3.16

Bryccourt Unit Tst Mgmt Ltd (1400)F
Hesketh Hse, Portman Sq, W1H 0JR 01-935

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Income Growth	1	194.7	194.7	201.7	....	

Buckmaster Mangmt Co Ltd (1200)H
The Stock Exchange, London EC2P 2JT 01-588

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Emerging Grth	5	61.67	63.09	66.94	-0.13	
(Accum Units)	5	63.86	65.33	69.32	-0.14	
Fellowship Tst	5	62.41	62.41	66.00	-0.46	
(Accum Units)	5	64.71	64.71	68.43	-0.48	
General Inc	5	293.3	293.3	310.2	-1.8	
(Accum Units)	5	502.7	502.7	531.6	-3.0	
Income	5	160.1	161.5	171.4	-0.9	
(Accum Units)	5	317.5	320.2	339.7	-1.8	
International	5	112.6	112.6	119.1	-1.9	
(Accum Units)	5	154.9	154.9	163.8	-2.6	
Smaller Co's	5	106.5	108.0	114.6	-0.2	
(Accum Units)	5	118.2	119.7	127.1	-0.2	
Inv Portfolio	2½	53.72	54.64	56.33	-0.25	
(Accum Units)	2½	56.32	57.28	59.06	-0.25	
High Income Port	3	47.38	48.07	49.81	-0.34	

Burrage Unit Tst Mangmt Ltd (0905)F
117 Fenchurch St, London EC3M 5AL 01-480

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sh Dtd Gilt & FI	1¼	55.95	55.95	56.75	+0.01	

CCF Foster Braithwaite UT Mngt (1100)F
1 White Hart Yard, London SE1 1NX 01-407

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
CCF Sel High Inc Eqty		-	-	50.00	....	
CCF Sel Intl Grth	5¼	48.45	48.45xd	52.12	-0.07	
CCF Sel Inv Tst		-	-	50.00	....	
CCF Sel UK Sm Co's		-	-	50.00	....	

CCL Unit Trusts Ltd (1400)F
74 Shepherds Bush Green, W12 8SD 01-740

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK General Tst	5¼	53.68	54.90xd	58.40	-0.65	
Global Tst	5¼	46.07	46.43	49.50	-0.36	
Recovery Tst	5¼	47.40	48.72	51.83	-0.46	

CIBC Unit Tst Managers plc (1200)H
Cottons Ctr, Cottons Lane, Ldn. SE1 2QL 01 234

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth Fd Acc	5	113.7	115.7	122.1	-0.7	

CIS Unit Managers Ltd (1000)F

Pearl Unit Trusts Ltd (1000)H
PO Box 500, Thorpe Wood, Peterborough PE3 6GD
Dealing: 0800 626577 Enquiries: 0733 67767

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth	5	115.5	118.1	124.2	-0.8	3.13
(Accum Units)	5	184.2	188.2	198.0	-1.3	3.13
Income	6	179.1	182.6	194.2	-1.4	4.12
Equity	6	177.4	180.6	192.1	-1.4	2.91
(Accum Units)	6	334.6	340.7	362.4	-2.6	2.91
Intl Equity	6	175.7	177.8	189.1	-1.5	1.84
(Accum Units)	6	184.7	187.0	198.8	-1.6	1.84

Schroder Unit Trusts Ltd—Contd.

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Euro Smllr Cos	5¼	52.50	53.09	56.47	-0.24	0.41
(Accum Units)	5¼	52.50	53.09	56.47	-0.24	0.41
Fixed Interest	5¼	44.62	44.62	47.00	-0.22	10.68
(Accum Units)	5¼	44.62	44.62	47.00	-0.22	10.68
Gilt Income	5¼	89.88	89.88	94.74	-0.70	9.94
(Accum Units)	5¼	96.74	96.74	101.9	-0.80	9.94
Income	5¼	243.5	246.1	261.8	-2.10	5.56
(Accum Units)	5¼	611.2	618.1	657.5	-5.30	5.56
Japan Smllr Cos ‡	5¼	359.3	363.0	386.1	-0.50	0.00
(Accum Units) ‡	5¼	360.1	363.7	386.9	-0.50	0.00

FK English Trust (Inv Man) Ltd (1000)F
12 Carthusian St, London EC1M 6EB 01-796 1200

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American*	4	58.58	58.97	61.57	....	0.0
Far Eastern*	4	182.96	187.23	194.72	....	0.1
Growth†	4	189.93	192.31	204.07	+0.1	3.1
Income†	4	146.00	141.73	151.00	-4.48	3.3
Scandinavian†	4	77.19	79.13	82.92	+5.16	0.3

† Dealing Day: Wed. *Dealing day: Thurs.

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♣ - 1401 to 1700 hours; ♠ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust information pages.

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Thornton Unit Managers Ltd (1000)F
33 Cavendish St., London W1M 7HF 01-493 7262
Dealing 01-493 8545

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
American Opps	5	46.33	47.39	50.54	-0.11	2.06
(Accum Units)	5	47.47	48.77	52.01	-0.11	2.06
European Opps	5	71.47	71.97	76.76	-0.51	0.00
(Accum Units)	5	72.06	72.57	77.39	-0.52	0.00
Far Eastern Opps	5	135.76	136.16	145.23	-1.57	0.00
(Accum Units)	5	136.83	137.04	146.16	-1.57	0.00
Golden Opps	5	47.25	47.25xd	50.39	-0.79	0.00
(Accum Units)	5	48.60	48.60xd	51.83	-0.81	0.00
Intl Hi-Yield	5	57.49	57.91xd	61.76	-0.09	4.45
(Accum Units)	5	62.41	62.86xd	67.04	-0.10	4.45
Saiyo Japan Tst	5	72.40	72.40	77.22	-0.74	0.00
(Accum Units)	5	72.40	72.40	77.22	-0.74	0.00
Kangaroo	5	33.10	33.10	35.29	-0.36	1.48
(Accum Units)	5	33.29	33.29	35.50	-0.35	1.48
Oriental Income	5	34.06	34.14	36.40	-0.03	5.16
(Accum Units)	5	38.19	38.27	40.81	-0.03	5.16
Pacific Technology	5	57.46	57.46	61.28	-0.23	0.00
(Accum Units)	5	57.92	57.92	61.77	-0.23	0.00
Tiger	5	146.79	147.18	156.98	+0.36	0.72
(Accum Units)	5	149.08	149.47	159.43	+0.37	0.72
UK Hi-Yield	5	43.27	43.27	46.14	-0.13	4.94
(Accum Units)	5	49.47	49.47	52.76	-0.15	4.94
UK Opps	5	34.08	33.98	39.37	+0.21	1.68
(Accum Units)	5	59.52	60.72	64.95	+0.24	1.68

Three Counties Asset Mngmt Ltd (1430)F
Cuthbert House, Tower Rd, Washington NE37 2SH 091 415 3034
Balanced Portfolio 6 93.78 94.19 100.21 +0.07 4.00

Touche Remnant Unit Tst Mngt Ltd (1600)F
Mermaid Hse, 2 Puddle Dock, EC4 01-248 1250

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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National Financial Management Corp PLC

72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Managed Cautionary	105.6	111.2	-0.2	-
Managed Growth	141.5	149.0	-0.2	-
Managed Opportunity	145.5	153.2	-0.2	-
NFMC Target Financial	103.3	108.8	-1.2	-
Pension Funds				
Managed Cautionary	110.2	116.1	-0.3	-
Managed Growth	146.1	153.8	-0.2	-
Managed Opportunity	148.9	156.8	-0.2	-
NFMC Target Mngd Pens	1537.4	1618.4	-16.0	-

National Mutual Life

The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Fund	227.7	239.7	+1.1	-
Managed Prospect Fund	191.0	201.1	+0.9	-
Pens Managed	288.8	304.0	+2.8	-
Pens UK Equity	345.9	364.2	....	-
Pens Overseas Equity	382.2	402.4	+17.5	-
Pens Property	170.1	179.1	-3.8	-
Pens Fixed Interest	176.5	185.8	-1.2	-
Pens Index Linked	146.8	154.6	-0.7	-
Pens Deposit	188.7	198.7	+0.5	-
Harvester & P.R.P.				
UK Equity	151.1	159.1	....	-
Overseas Equity	136.8	144.0	+6.3	-
Fixed Interest	120.5	126.9	-0.9	-
Property	141.5	149.0	-3.2	-
Index Linked	133.3	140.4	-0.6	-
Deposit	130.9	137.8	+0.4	-
Managed	145.5	153.2	+1.5	-
With Profits	134.4	141.6	+0.4	-

National Provident Institution

48 Gracechurch St, London EC3P 3HH 01-623 4200

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	344.1	362.3	-1.5	-
UK Equity	443.5	466.9	-2.8	-
Overseas Eq	352.5	371.1	-1.4	-
Americas	251.1	264.4	-0.2	-
Far East	402.8	424.0	-2.8	-

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

GUERNSEY (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Gartmore Luxembourg SA						
23 Rue des Bruyeres L-1274 Howald Lux 010 352 491841						
Gartmore Pantheon Fund						
Nth Amer Equity		$–	1 97		-0.01	–
British Equity		£–	1.01			–
Nordic Equity		SKr–	10 96		+0 11	–
Cont l European Equity		DM–	17 27		+0.10	–
Japan Equity		Y–	538.00		-1.00	–
Pacific Equity		Y–	362.00		-8.00	–
Developing Mkts		£–	1 01		-0.01	–
Natural Resources		$–	2 07			–
W'wide Recovery		$–	1 60			–
Intl Equity		$–	1.36		-0.02	–
Dollar Bond		$–	1.96			–
Sterling Bond		£–	1 03			–
European Currency Bond		Ecu–	1.48			7.55
Intl Curr Bond		$–	2 09			–
Dollar Reserve		$–	2.02			–
Sterling Reserve		£–	1 04			–
Deutschmark Reserve		DM–	5 06			–
Yen Reserve		Y–	504 00			–

Henderson Management SA
21-25 Allee Scheffer L-2520 Luxembourg 01-638 5757 or 010-352 462232

Hill Samuel Investment Services Intl SA
Marktgasse 63/65, 3001 Bern, Switzerland 224051

Ivory & Sime (Luxembourg) SA

Nomura Global Fund

Royal Trust Asiafunds Fund

Schroder International Selection Fund

Sun Life Global Management Ltd

Touche Remnant (Guernsey) Limited

Wardley Investment Services (Lux) S.A.

SWITZERLAND (SIB RECOGNISED)

S.I.A. Bond Investments AG

CANADA (SIB RECOGNISED)

Ivory & Sime Pembroke Inc

GUERNSEY (**)

Adams & Neville Fund Mngt (Guernsey) Ltd

Allied Intl Assurance (Bermuda) Ltd

The Bangkok Fund

Barings Int Fund Managers (Guernsey) Ltd

Bentrust Management Ltd

Fidelity Intl Asset Management (Guernsey) Ltd

Five Arrows Intl Bond Fund

Framlington International Fund Mngt

John Govett Mngmnt International Ltd

Hambros (Guernsey) Ltd

Henderson Admin. (Guernsey)

Hill Samuel F.M. (Guernsey) Ltd

The India Fund

The Indonesian Capital Fd Ltd

Kleinwort Benson Islamic Fd Mngt Ltd

Lazard Fund Managers (CI) Ltd

M & G Island Fund

	Bid Price	Offer Price	+ or -	Yield Gross
NM Financial Mngt Intl Ltd				
Mngd Currency	16.516	6.046	-0.011	6.07
NM Portfolio Selection Fund Ltd				
Cons(Ident)	£1 066	1.136	-0.006	1.34
Far East Gwth.	$1.402	1.491	-0 009	0 00
Smaller Co's	£0.987	1 049	-0 002	1 12
Special Sits.	£1.000	1.063	-0.004	0 75
Intl Bond	£0 906	0 963	-0.004	5.52
American Fund	$2.890	2.010	-0.010	2.29
American Smaller Cos.	$1.153	1.226	+0 002	0.00
Australian Fund	£1.610	1.712	-0.039	1 78
British Fund	£1.541	1.639	-0 014	5.26
European Fund	£2.233	2.375	-0.017	0.87
Gold Fund	£0.818	0 870	-0 007	0 00
Hong Kong Fund	£1.536	1.633	+0 033	5 47
International Fund	£1.440	1.531	-0 011	0.34
Japanese Fund	£3.126	3.325	-0 018	0.00
Japan Smaller Cos	£5.285	5.622	-0 001	0 00
Singapore & Malaysian	£1.542	1.640	-0.023	0 00
Dollar Fixed Interest	$0.988	1.051	-0 002	6 94
Sterling Fixed Int.	£0.900	0.957	+0.001	11 51
Deutschmark Currency		DM5.026		2.36
Dollar Currency		$1 083		4.41
Sterling Currency		£1.028		10.48
Yen Currency		Y200 6		1 40
Managed Currency	£0.987	1.049	-0.003	6.94
Nikko Capital Mngt (Europe) Ltd				
Japan Index Fund	Y4,162	4,203		–
New Generation Fd. $	$23 48	23.71		–
Japan Index Alpha	Y12,663	12,806		–
Jap Sector Rotation	Y10,580	10.730		–
Stronghold Asset Mngmt (Guernsey) Ltd				
Tech and Comm	£11.46	12.36	-0.12	–
Pacific Basin Fd	$110.63	123.67		–
Western European	$19.95	21.25	+0.67	–
Tyndall International (Guernsey) Ltd				
Capital Defender	$1 25	1 33		–
Hi Yield Bond	62.9	66.2		15 11
Internat. Spec. Sits.	53 6	56.4	+0.3	–
Marathon Fd	90.7	95.4	+0.7	–
U.S. Treasury Securities Fund Ltd				
Short-Term Shares	$692.05			–
Fixed Income Shares	$800 14			–
Wellington Fd Mngrs (Guernsey) Ltd				
Intl Growth Fd	$13.82	14.52		–

Yamaichi Capital Mngmnt (Guernsey) Ltd

JERSEY (**)

Allied Irish Fund Managers (CI) Ltd

Barclays Intl Funds

Brown Shipley Fund Mgmt (CI) Ltd

Cater Allen Investment Management (CI) Ltd

Citibank (CI) Ltd "Citifunds"

CMI Trust Company (Jersey) Ltd

Equitilink International Mngt Ltd

Fidelity International (CI) Ltd

Fleming Group

Foreign & Colonial Mngt (Jersey) Ltd

John Govett Management (Jersey) Ltd

Hill Samuel Investment Services Intl(CI)

Midland Bank Tst. Corp. (Jersey) Ltd

Minerals, Oils Res. Shrs. Fd. Inc.

Morgan Grenfell Fund Mngt (Jersey) Ltd

Nat. Westminster Jersey Fd. Mgrs. Ltd

Northgate Unit Tst. Mngrs. (Jersey) Ltd

Perpetual UT Mngrs (Jersey) Ltd

Prudential Intl Investment Mngt Ltd

Royal Trust Fd Mngt (CI) Ltd

Royal Trust Intl Fd Mngt Ltd

Save & Prosper International

Schroder Mngt Services (Jersey) Ltd

Scimitar Worldwide Money Fund Ltd

Scimitar Worldwide Selection Fd Ltd

Strategic Money Mngt. Jersey

TSB Trust Funds (CI)

Target Internat. Management (Jersey) Ltd

Tyndall International (Jersey) Ltd

Warburg Asset Management Jersey Ltd

Warrior Fund Managers (Jersey) Ltd

World Bond Fund-SICAV

World Capital Gwth Fd-SICAV

Worldwest Dimensions Jersey Ltd

ISLE OF MAN (**)

CAL Investments (IoM) Ltd

Duncan Lawrie Inv. Mgt. Ltd

Equity & Law International Fund Mgs Ltd

Nelson Scandinavian Fund Ltd

TSB Global Funds Limited

Mercury Fund Managers Intl Ltd

Sovereign (Isle of Man) Ltd

Target International (Isle of Man) Ltd

LUXEMBOURG (**)

CB Fund International

Capel-Cure Myers International Fd Sicav

ES Securities Ltd

Fidelity Intl Inv Mngt (Luxembourg) SA

Fidelity Investment Services (Lux) SA

Fleming Group

Gartmore Luxembourg S.A.

Gota Global Selection

Investissements Atlantiques SA

Lloyds Bank Luxembourg

Paribas Intl Bond Managers SA

Security Pacific Funds S.A. Lux

Target International Fountain Fund

Target International Ltd

S.G. Warburg Asset Mngt Lux S.A.

Yamaichi 1992 DMM Fund SICAV

DUBLIN (**)

AIG Fund Management Ltd "AIG Trusts"

OFFSHORE INSURANCES

Albany International Assurance Ltd

CMI Insurance Co Ltd

Eagle Star Intl Financial Services

Equity & Law Intl Life Assur Co Ltd

Eurolife Assurance Group

Fincom International Ltd

Hansard International Ltd

Isle of Man Assurance Ltd

NEL Britannia International Ltd

NM Life Assurance Intl Ltd

Premium Life International Ltd

Providence Capital International Ltd

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd

Sun Alliance International Life

Target International Group

OTHER OFFSHORE FUNDS

ATSP Management Ltd

Abbey Global Investment Fund Ltd

Adig Investment

Alliance Capital

Anglo-Swiss Asset Management Ltd

Arab Bank Fund Managers (Guernsey) Ltd

Asian Development Equity Fund

BAII Multicurrency (SICAV)

BHF-Banque de Marches et d'Arbitrage

Julius Baer Bank & Trust Co Ltd

Banque Scandinave Fd. Mgrs. Ltd.

Baring International Group

Baring Fund Managers (Cayman) Ltd

Bermuda Intl Investment Mngt

Bordier Funds Ltd

Bridge Management Ltd

Bridges Singapore Asset Mngmt Ltd

Butterfield Management Co Ltd

Cambridge ITEC Fund Management

Capital House Investment Management Ltd

Capital International

Connaught Investments Ltd

Cortaza International

Credit Commercial de France

Credit Lyonnais Rouse (Bermuda) Ltd

Credit Suisse

DWS Deutsche Ges. F. Wertpapiersp

Daiwa Investment Trust Co Ltd

Daiwa APT Japan Fund

Dean Witter World Wide Invest. Tst SA

Delta Group

Deutscher Investment-Trust

Dresdner Thornton Lambert

Dreyfus International Investment Ltd

Elders (Switzerland) Invest. Mngt. SA

Ermitage Group

Espirito Santo International Mngmt (SICAV)

Europe 1992

S.G. Europe Obligations SA

Europe Plus Investissement (SICAV)

FFM / Swiss Financial Services

Far East Growth Fund

Fidelity Distributors Ltd

Fiduciary Trust International Ltd

Fleurst-Connell Fund Mngrs (Guernsey) Ltd

Forbes Securities Management

Formosa Fund

Frankfurt Trust Investment-GmbH

Free World Fund

The French Prestige Fund

Fuji Investment Management Co Ltd

GT Management Plc

GT Investment Management Co SA

Gartmore Investment Ltd

Gartmore Fund Managers International Ltd

Genesis Fund Managers Ltd

German Selection Associates N.V.

Gestvest SA

Global Asset Management Corp

Global Government Plus Fund

Granville Management Limited

Group One Limited

Guinness Flight Intl Fd Mgrs Ltd

Hambros Investment Partners Ltd

Haussmann Hldgs. NV Curacao

Hill Samuel Investment Services Intl (c)

Huntington Intl Investors Fds Ltd

Indosuez Asia Invest Services Ltd

Interhandel Fund

International Bond Trust

Invesco MIM Intl Ltd

Japan Invest Trust Services Ltd

JC Global Fund-SICAV

The Japan Capital Secured Trust

Japan Money Back Fund

Japan Selection Associates N.V.

Jardine Fleming Inv Mngt Ltd

Jardine Fleming Unit Trusts Ltd

Kestrel Management Ltd

Korea Growth Trust

Korea International Trust

Latin American Management Ltd

La Fonds International (Strategy)

Lehman Brothers (Lux) SA

Lloyds ALL-STAR World Profile-Equity Fd

Lloyds Bank (CI) U/T Mngrs

Lloyds Bank Fund Management Ltd

London Portfolio Services plc

MFM Ltd

M & G (Cayman) Ltd

McDonnell & Co

McKinley Allsopp, Risk Arbitrage Fund

Magna Fund Management (Bermuda) Ltd

Mainstream Fund (Cayman) Ltd

Malaysia Growth Fund

Malaysian Smaller Co's Fd (Cayman) Ltd

Manila Fund (Cayman) Ltd

Mediterranean Fund (SICAV)

Meridian Funds

Merrill Lynch Asset Management

Merrill Lynch Int'l Capital Mngt (GSY) Ltd

Morgan Stanley Sicav

J. Henry Schroder Wagg & Co Ltd

HKCS Europe and Income Fund

NM Income & Gwth Fd

NM Financial Mngt Intl Ltd

National Mutual Insce Co (Bermuda) Ltd

The New Zealand Fund

Newport International Management

Nikko Luxembourg S.A.

Nomura Asia Europe Fund

Nomura Dragon Global Fund

Nomura Growth Fund SA

Nomura Prudential Fd Pt II

Nomura Prudential Global Portfolio

Nomura Bombay Alpha Fund, Mark II

North Star Fund Managers (Cayman) Ltd

Norway Fund Management A/S

Odin Investment Management Ltd

Optima Fund Ltd

Orbitex Balanced Ltd

ORIENT Growth Fd

PAM Futures Trading (Cayman) Ltd

PFC Intermatl Portfolio Fd Mngt Ltd

PPS International

Pacific Growth Fund

Paribas Soleil Fund

Parlatto Bond Fund SA

Pierson Heldring & Pierson

The Portugal Fund Limited

Prospect H I Port N.V.

Protected Performance Fund

Prudential Intl Financial Services Ltd

Putnam International Advisors Ltd

Quantum Fd NV Curacao

Quasar Fund

Quilter International Management Ltd

Real Estate Strategies Ltd

Rosenberg US Japan Mngt Co SA

Rosenberg Management SA

Rothschild Asset Management (CI)

RM Rothschild Asset Management Limited

Royal Trust Asset Mngt (Asia) Ltd

Royal Trust North American Bond Fd

SCI/TECH SA

Sabre Fund Mngt Ltd

Saudi International (Jersey) Ltd

Schroder Investment Management Ltd

Schroders Asia Limited

Schroders Australia Ltd

Schroders Bermuda Funds

Sequoia Securities (Bermuda) Ltd

Seoul International Trust

The Siam Fund (Cayman) Ltd

Siam Smaller Companies Fund Ltd

Edmond de Rothschild

Societe Generale Merchant Bank plc

Sofitic Asset Management Ltd

Sterling Offshore Fund Admin. Ltd

Strategic International Gold Fund S.A.

Stronghold Investment Mgrs (Bermuda) Ltd

Taipei Fund

Templeton Galbraith & Hansberger Ltd

The Thai-Euro Fund Ltd

The Thai Prime Fund Limited

The Thailand Fund

The Thailand Growth Fund

The Thailand Intl Fund Ltd

T. Rowe Price Associates, Inc

Thornton Investment Management Ltd

Three-Way Asset Allocation Funds

Transworld Bond Trust

Tyndall International (Bermuda) Ltd

US Pacific Stock Fund

Union Invest Fd Mgt Co SA Lux

Union-Investment-Gesellschaft GmbH

Viking Fund-SICAV

Warburg Inv Mngmt (Isle of Man) Ltd

Wardley Investment Services Ltd

Wells Fargo U.S. IT Fund

Yamaichi Dynamic Mngt Co SA

Money Market Trust Funds

Charities Aid Funds Money Mngmt Co Ltd

The Charities Deposit Fund

Gartmore Money Management Ltd

Money Market Bank Accounts

Aitken Hume Bank plc

Allied Trust Bank Ltd

Bank of Ireland High Interest Cheque Account

Bank of Scotland

Barclays Capital Advantage Account

Barclays Prime Account H.I.C.A.

Beneficial Bank PLC Premier Account

B & C Merchant Bank PLC Portfolio Acc

Brown Shipley & Co Ltd

Cater Allen Ltd

Chartered Bank Limited

Citibank Savings

Clydesdale Bank PLC

Co-operative Bank Tip Tier

Coutts & Co

Darlington & Co Ltd

Edington Plc

Gartmore Money Management Ltd

Greyhound Bank

Hambros Bank Ltd

Humberclyde Finance Group

Lloyds Bank High Interest Cheque Account

M & G/Kleinwort Benson

Midland Bank plc

Mount Credit Corporation Ltd

NatWest Special Reserve Account

Provincial Bank PLC

Royal Bank of Scotland plc Premium Acc

Save & Prosper/Robert Fleming

Standard Property Investment PLC

Sterling Bank & Trust Ltd

TSB Bank plc (England & Wales)

Tyndall & Co Ltd

J. Henry Schroder Wagg & Co Ltd

Western Trust High Interest Cheque Acc

Wimbledon & South West Finance Co Ltd

NOTES—Gross rate is those exempt from deductions of tax. Net actual rate after deduction of CRT for Equiv Cat Gross: equivalent to basic rate taxpayer, compounded annual rate for Frequency at which interest credited.

UNIT TRUST NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

D-Mark continues to advance

POSSIBLE GERMAN monetary union and moves towards *democracy in the Soviet Union* supported the D-Mark, but tended to depress the dollar.

Events yesterday reinforced the impression that the Government in Bonn is much keener on monetary union than West Germany's financial community. West German Chancellor Helmut Kohl says he favours immediate talks on the subject, but Bundesbank President Karl Otto Pöhl has indicated reservations.

At a Cabinet meeting in Bonn it was agreed that the D-Mark could be introduced quickly in East Germany providing there are swift economic reforms. On the other hand, Mr Helmut Geiger, President of the West German Savings Bank and Giro Association, said in London that he saw no basis for prompt monetary union.

Dealers see the D-Mark remaining firm if the two Germanys come to an agreement. Demand for D-Marks will grow, increasing the money supply and putting upward *pressure* on inflation. This will sooner or later force the Bundesbank *to* raise interest rates.

This has not yet caused any problems in the European *Monetary System, but the market* is beginning to question how long it will be before tension increases. The D-Mark *remained below* the Italian lira and Spanish peseta in the EMS yesterday, but at the Milan fixing the German currency rose to a three-month high of L745.20, from L743.00 on Tuesday. The French franc was steady. The D-Mark closing virtually unchanged at FFr3.4043 in London, but only after intervention by the Bank of France.

Selling of the dollar accompanied the strength of the D-Mark, and the US currency was also hit by news from Moscow that the Communist Party is to relinquish its monopoly on power in the USSR. If the danger of conflict between east and west appears to recede the status of the dollar, as a safe haven currency, also diminishes.

The dollar finished weaker in London at DM1.6545 against *DM1.6575, and also fell to* FFr5.6325 from FFr5.6425, but was above the day's lows on short covering. It gained a little ground against non-EMS currencies however, rising to Y145.45 from Y145.10 and to SFr1.4805 from SFr1.4770. The dollar's index improved to 66.7 from 66.6.

Sterling was quiet, losing 30 points to $1.6995. The pound fell to DM2.8125 from DM2.8225 and to FFr9.5725 from FFr9.6075, but was unchanged at SFr2.5150 and rose to Y247.25 from Y247.00. Sterling's index declined 0.1 to 89.2.

Speculation about a further easing of Australian interest rates weakened the Australian dollar. The Reserve Bank of Australia intervened in early *London trading and it was also* reported that the US Federal Reserve supported the currency in New York. The Australian dollar closed at 76.15 US cents in Sydney on Tuesday, *but was down to 75.70 cents* last night in London.

£ IN NEW YORK

Feb.7	Latest	Previous Close
£ Spot	1.7035-1.7045	1.7025-1.7035
1 month	0.85-0.84pm	0.88-0.87pm
3 months	2.61-2.58pm	2.71-2.69pm
12 months	9.10-9.00pm	9.35-9.25pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Feb.7	Previous
8.30 am	89.3	89.2
9.00 am	89.2	89.2
10.00 am	89.4	89.4
11.00 am	89.4	89.4
Noon	89.3	89.3
1.00 pm	89.3	89.3
2.00 pm	89.3	89.3
3.00 pm	89.2	89.4
4.00 pm	89.2	89.3

CURRENCY RATES

Feb.7	Bank rate %	Special* Drawing Rights	European † Currency Unit
[illegible]	[illegible]	[illegible]	[illegible]

§ Sterling quoted in terms of SDR and ECU per £. † European Commission Calculations. * All SDR rates are for Feb 6

CURRENCY MOVEMENTS

Feb.7	Bank of England Index	Morgan* Guaranty Changes %
Sterling	89.2	-22.2
U.S Dollar	66.7	-11.5
[illegible]	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) *Rates are for Feb 6

OTHER CURRENCIES

Feb.7	£	$
[illegible]	[illegible]	[illegible]
Iran	117.00*	69.25*
Korea(Sth)	1162.15-1180.90	685.10-690.50
Kuwait	0.4930-0.4950	0.2895-0.2995
Luxembourg	58.90-59.00	34.65-34.75
Malaysia	4.5945-4.6060	2.7040-2.7060
Mexico	4636.90-4645.10	2726.00-2730.00
N. Zealand	2.8585-2.8645	1.6825-1.6856
Saudi Ar.	6.3805-6.3825	3.7500-3.7510
Singapore	3.1585-3.1660	1.8575-1.8595
S. Af (Cm)	4.2865-4.2980	2.5250-2.5260
S. Af (Fn)	5.4850-5.5750	3.2255-3.2785
Taiwan	44.30-44.40	26.05-26.10
U.A.E.	6.2475-6.2535	3.6720-3.6730

*Selling rate

EURO-CURRENCY INTEREST RATES

Feb 7	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	15 1/8-14 13/16	15 1/8-14 13/16	15 1/8-15 1/16	15 3/16-15 1/16	15 3/16-15 1/16	15 1/8-15
US Dollar	8 1/4-8 1/8	8 1/4-8 1/8	8 1/4-8 1/8	8 3/8-8 1/4	8 5/8-8 1/2	8 3/4-8 5/8
Can. Dollar	12 1/8-12	12 1/4-12 1/8	12 1/4-12 1/8	12 3/16-12 1/16	12 1/16-11 15/16	11 3/4-11 5/8
D. Guilder	8 1/4-8 1/8	8 1/4-8 1/8	8 13/16-8 11/16	8 15/16-8 13/16	9 1/16-8 15/16	9 1/16-9 1/16
Sw. Franc	9 3/8-9 1/4	9 1/2-9 1/4	9 3/4-9 5/8	9 3/4-9 5/8	9 13/16-9 11/16	9 13/16-9 11/16
Deutschmark	8 1/8-8	8 1/8-8	8 3/8-8 1/4	8 5/8-8 1/2	8 13/16-8 11/16	8 15/16-8 13/16
Fr. Franc	10 3/16-10 1/16	10 3/8-10 1/4	10 3/4-10 5/8	11 1/8-11	11 1/4-11 1/8	11 3/8-11 1/4
Italian Lira	13-11	13 3/4-12 3/4	13 3/4-12 3/4	13 1/4-12 3/4	13 1/8-12 3/4	13 1/2-13 1/4
B. Fr. (Fin)	10 3/4-10 1/4	10 1/2-10 3/8	10 3/4-10 5/8	10 5/8-10 1/2	10 3/4-10 5/8	10 15/16-10 13/16
B. Fr. (Con)	10 1/2-10 1/4	10 3/4-10 5/8	10 3/4-10 5/8	10 3/4-10 1/2	11-10 7/8	11-10 7/8
Yen	6 7/8-6 3/4	6 7/8-6 3/4	6 15/16-6 13/16	7 1/8-7	7 1/4-7 1/8	7 3/8-7 1/4
D. Krone	12-11 1/2	12 1/4-12	12 3/8-12 1/8	12 3/8-12 1/8	12 1/2-12 1/4	12-11 3/4
Asian $Sing	8 1/4-8 1/8	8 3/16-8 1/16	8 5/16-8 3/16	8 3/8-8 1/4	8 5/8-8 1/2	8 3/4-8 5/8

Long term Eurodollars: two years 9-8 7/8 per cent; three years 9 1/8-9 per cent; four years 9 1/4-9 1/8 per cent; five years 9 3/8-9 1/4 per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

POUND SPOT- FORWARD AGAINST THE POUND

Feb.7	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6965-1.7070	1.6990-1.7000	0.88-0.86cpm	6.14	2.71-2.68pm	6.34
Canada	2.0180-2.0330	2.0275-2.0285	0.41-0.35cpm	2.25	1.25-1.14pm	2.36
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.20-5.15cpm 12 Month 9.35-9.25cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Feb.7	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Feb.7	% change from central rate	% change adjusted for divergence	Divergence limit %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

Feb.7	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN	4.044	6.874	11.37	1000.	38.71	10.17	12.84	8484	8.201	298.4
F Fr.	1.045	1.776	2.938	258.3	10.	2.627	3.317	2192	2.118	61.98
S Fr.	0.398	0.676	1.118	98.33	3.806	1	1.262	834.2	0.806	23.44
H Fl.	0.315	0.535	0.886	77.89	3.015	0.792	1	660.8	0.639	18.57
Lira	0.477	0.810	1.341	117.9	4.563	1.199	1.513	1000.	0.967	28.10
C $	0.493	0.838	1.387	121.9	4.720	1.240	1.566	1035	1	29.07
B Fr.	1.696	2.884	4.772	419.5	16.24	4.266	5.386	3559	3.440	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS; LIFFE US TREASURY BOND FUTURES OPTIONS; LIFFE BUND FUTURES OPTIONS; LIFFE £/$ OPTIONS; LIFFE EURODOLLAR OPTIONS; LIFFE SHORT STERLING OPTIONS

Strike Price	Calls-settlements		Puts-settlements	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON (LIFFE): 20-YEAR 9% NOTIONAL GILT; US TREASURY BONDS 8%; 6% NOTIONAL GERMAN GOVT. BOND; 6% NOTIONAL LONG TERM JAPANESE GOVT. BOND; THREE MONTH STERLING; THREE MONTH EURODOLLAR; THREE MONTH EUROMARK; THREE MONTH ECU; FT-SE 100 INDEX

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6995	1.6908	1.6726	1.6478	1.6065

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Mar	1.6872	1.6924	1.6856	1.6896
Jun	1.6610	1.6670	1.6610	1.6638
Sep	-	1.6420	1.6390	1.6402

CHICAGO: U.S. TREASURY BONDS (CBT) 8%; U.S. TREASURY BILLS (IMM); DEUTSCHE MARK (IMM); JAPANESE YEN (IMM); SWISS FRANC (IMM); THREE-MONTH EURODOLLAR (IMM); STANDARD & POORS 500 INDEX; PHILADELPHIA SE £/$ OPTIONS; 10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES; OPTION ON LONG-TERM FRENCH BOND (MATIF); THREE-MONTH PIBOR FUTURES (MATIF)

	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

THREE-MONTH PIBOR FUTURES (MATIF) (Paris interbank offered rate)

	Open	Close	Change	High	Low	Yield	Open Int.
March	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7,857
June	88.90	88.78	-0.16	88.90	88.77	11.23	6,622
September	89.08	88.90	-0.22	89.08	88.90	11.09	1,759
December	89.05	89.06	-0.19	89.06	88.99	11.04	190

Estimated volume 19,785 Total Open Interest 16,428

CAC-40 FUTURES (MATIF) Stock index

	Open	Close	Change	High	Low	Open Int.
February	1897.0	1888.5	-19.5	1899.0	1875.0	5,734
March	1892.0	1881.0	-28.0	1897.5	1877.0	816
April	1895.0	1898.0	-15.0	1898.0	1895.0	100
June	-	-	-	-	-	17

Estimated volume 6,311 Total Open Interest 6,667

BASE LENDING RATES

	%		%		%
ABN Bank	15	Co-operative Bank	*15	NatWestminster	15
Adam & Company	15	Coutts & Co	15	Northern Bank Ltd	15
Allied Trust Bank	15	Cyprus Popular Bk	15	Norwich Gen. Trust	15
Allied Irish Bank	15	Dunbar Bank PLC	15	Nykredit Mortgage Bank	15½
● Henry Ansbacher	15	Duncan Lawrie	15	PRIVATbanken Limited	15
Associates Cap Corp	15½	Equatorial Bank plc	15	Provincial Bank PLC	16
● B & C Merchant Bank	15	Exeter Trust Ltd	15½	Roxburghe G'rantee	15½
Bank of Baroda	15	Financial & Gen. Bank	15	Royal Bk of Scotland	15
Banco Bilbao Vizcaya	15	First National Bank Plc	16	Royal Trust Bank	15
Bank Hapoalim	15	● Robert Fleming & Co.	15	● Smith & Williamson Secs.	15
Bank Credit & Comm	15	Robert Fraser & Ptnrs.	15½	Standard Chartered	15
Bank of Cyprus	15	Girobank	15	TSB	15
Bank of Ireland	15	● Guinness Mahon	15	● United Bk of Kuwait	15
Bank of India	15	HFC Bank plc	15	United Mizrahi Bank	15
Bank of Scotland	15	● Hambros Bank	15	Unity Trust Bank Plc	15
Banque Belge Ltd	15	Hampshire Trust Plc	15½	Western Trust	15
Barclays Bank	15	Heritable & Gen Inv Bnk.	15	Westpac Bank Corp.	15
Beneficial Bank PLC	15	● Hill Samuel	§15	Whiteaway Laidlaw	15
Brit Bk of Mid East	15	C. Hoare & Co.	15	Yorkshire Bank	15
● Brown Shipley	15	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk.	15		
Clydesdale Bank	15	Midland Bank	15		
Comm. Bk. N. East	15	Mount Banking	15		
		Nat Bk. of Kuwait	15		

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MONEY MARKETS

Slightly firmer

CASH RATES were slightly *firmer in London yesterday* and the price of short sterling futures continued to weaken on Liffe. This followed a weakening of world bond prices on fears that inflation will drive interest rates higher. Three-month sterling interbank nudged up to 15 3/16-15 1/16 per cent from 15⅛-15 1/16, and 12-month rose to 15⅛-15 1/16 from 15 1/16-14 15/16.

UK clearing bank base lending rate
15 per cent
October 5

June short sterling opened lower at 85.40, and touched a low of 85.31, just above technical support at 85.30. The contract rallied a little in the afternoon, to close at 85.35, compared with 85.44 on Tuesday.

There was no easing of the recent tight credit conditions. The Bank of England initially forecast a day-to-day shortage of £1,050m, revising this up to £1,100m at noon. Total help of £963m was provided. Early assistance has been offered every day so far this week. In yesterday's early operations the authorities bought £504m bills, for resale to the market on February 12, at rates of 14 27/32-14 15/16 per cent. This brings to over £1.5bn the number of bills the market must buy back next Monday, but this should be partly offset by redemption of *a gilt stock on that day*.

Before lunch the Bank of England bought £364m bills outright, by way of £5m bank bills in band 1 at 14⅞ per cent; £6m Treasury bills in band 2 at 14⅞ *per cent; and £353m* bank bills in band 2 at 14⅞ per cent. In the afternoon another £85m bills were purchased outright, via £40m bank bills in band 1 at 14⅞ per cent, and £45m bank bills in band 2 at 14⅞ per cent. Late assistance of £10m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £417m, with Exchequer transactions absorbing £490m, a rise in the note circulation £110m, and bank balances below target £30m.

In Frankfurt call money remained at 7.80 per cent in nervous trading. The Bundesbank added a net DM1.4bn at this week's securities repurchase agreement tender, when allocating DM18.4bn of 28-day money at rates of 7.70-7.95 per cent. A pact of DM17.0bn expired yesterday.

Fixed period rates were firm, with three-month rising to 8.025 per cent from 7.975. The underlying tone was nervous on fears that inflationary pressure will increase if there is monetary union between East and West Germany.

FT LONDON INTERBANK FIXING

(11.00 a.m. Feb.7) 3 months US dollars		6 months US Dollars	
bid 8¼	offer 8⅜	bid 8 7/16	offer 8 9/16

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	10
Broker loan rate	9¾
Fed.funds	8 5/16
Fed.funds at intervention	-

Treasury Bills and Bonds

One month	6.91	Three year	8.46
Two month	7.94	Four year	8.51
Three month	8.08	Five year	8.54
Six month	8.19	Seven year	8.56
One year	8.17	10-year	8.63
Two year	8.44	30-year	8.62

Feb.7	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.75-7.85	7.35-7.45	7.80-7.95	7.95-8.10	8.30-8.50	8.00
Paris	10½-10⅝	10⅝-10¾	-	10 15/16-11 1/16	-	9.50
Zurich	8⅝-9¼	9⅜-9½	-	9⅜-9½	-	-
Amsterdam	8.81-8.93	8.70-8.80	-	8.85-8.95	-	-
Tokyo	6 13/16-6 15/16	6⅞-6 15/16	-	6 15/16-7	-	-
Milan	12½-12¾	13½-14	-	13¼-13½	-	-
Brussels	9.75	10 3/16-10 5/16	-	10 3/16-10 5/16	-	-
Dublin	11¼-11½	11¼-11⅝	11 13/16-11 15/16	11 15/16-12 1/16	11 15/16-11 15/16	-

LONDON MONEY RATES

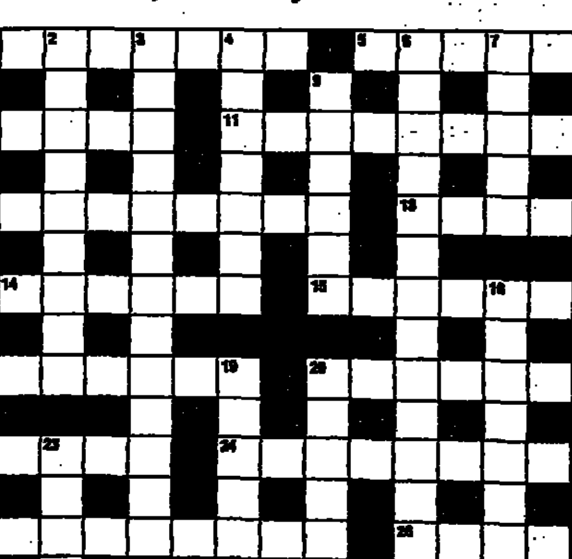
Feb 7	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	15¾	15 1/16	15⅛	15 3/16	15 3/16	15¼
Interbank Bid	14¾	14 15/16	15 1/16	15 1/16	15 1/16	15⅛
Sterling CDs	-	-	15 1/16	15 1/16	15 1/16	14⅞
Local Authority Deps.	14 15/16	14 15/16	15	15 1/16	15 1/16	15
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	15	14 15/16	14⅞	14⅞	-	-
Company Deposits	-	-	15 1/16	15⅛	15⅛	15 3/16
Finance House Deposits	-	-	15 1/16	15 1/16	15 1/16	15 1/16
Treasury Bills (Buy)	-	-	14 13/16	14 13/16	-	-
Bank Bills (Buy)	-	-	14⅞	14⅞	14 13/16	-
Fine Trade Bills (Buy)	-	-	15¼	15⅜	14 15/16	-
Dollar CDs	-	-	8.30	8.32	8.40	8.62
SDR Linked Dep. Offer	-	-	8⅞	9⅛	9¼	9⅜
SDR Linked Dep. Bid	-	-	8⅝	8 13/16	9⅛	9⅛
ECU Linked Dep. Offer	-	-	10 15/16	11¼	11½	11½
ECU Linked Dep. Bid	-	-	11 1/16	11⅛	11¼	11⅜

Treasury Bills (sell); one-month 14 13/16 per cent; three months 14½ per cent; Bank Bills (sell); one-month 14 13/16 per cent; three months 14 17/32 per cent; Treasury Bills; Average tender rate of discount 14.4760 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day January,31,1990. Agreed rates for period February,26 1990 to March,25, 1990, Scheme I: 15.89 p.c., Schemes II & III: 16.43 p.c. Reference rate for period Dec.30,1989 to January,31, 1990, Scheme IV&V: 15.199 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15½ from February 1, 1990: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9,1989, Deposits withdrawn for cash 5 per cent.

JOTTER PAD

CROSSWORD

No.7,159 Set by CINEPHILE



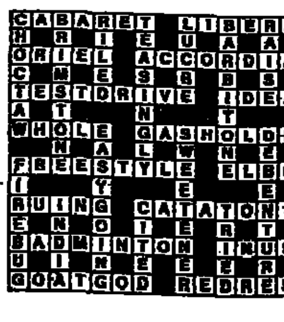
ACROSS

1 Have lodgings without satisfactory people – shameful state of affairs (8)
5 Arrangement of three-quarters of an acre and a beast in Poland (6)
10 Period of licence in the Highlands? (5)
11 Slight, viscous, indefinite object (9)
12 Make truck stay with clipper (5,4)
13 Name of girl student with distinctive quality (5)
14 Kickback in the matter of wind? (6)
15 Point taken from spider-girl and another added to vex listener (7)
18 Is it after five or will he come to see us? (7)
20 Players in Surrey are erotic (6)
22 Dance of odd bachelor (5)
24 Oldest trees have got split with top of blade inside (9)
25 Hurry with low-weight old candle (4,5)
26 Brief appearance of eagle among doves? (5)
27 Succeed with shot made of snow? (6)
28 Eros's converse is most of that of military alliance (8)

DOWN

1 It's wrong to change sides (6)
2 Unable to get anywhere without underclothing? (9)
3 Abbot Roger fully equipped as a sportsman (5,10)
4 Mew of derision? (7)
6 Ordinary soldier meets top brass with 108 degree angles (7,8)
7 End of fancy title for man of upper class in Wales (5)
8 Traveller in Western Australia takes a ferry, strangely (8)
9 Preserve an awkward situation (6)
16 Fellow-member, one not contracted for a part (9)
17 Exaggerate to get in the red (8)
19 Shelter for Ugandan leaders, possibly free outside (6)
20 Withdraw with slight wound (7)
21 Addition in a rising spirit of hostility (6)
23 Two generations, possibly free (5)

Solution to Puzzle No.7,158



WORLD STOCK MARKETS

AUSTRIA — February 7 — Sch — + or − [illegible]

BELGIUM/LUXEMBOURG — February 7 — Frs. — + or − [illegible]

DENMARK — February 7 — Kr — + or − [illegible]

FINLAND — February 7 — Mka — + or − [illegible]

FRANCE — February 7 — Frs. — + or − [illegible]

FRANCE (continued) — February 7 — Frs. — + or − [illegible]

GERMANY — February 7 — Dm. — + or − [illegible]

GERMANY (continued) — February 7 — Dm. — + or − [illegible]

ITALY — February 7 — Lire — + or − [illegible]

ITALY (continued) — February 7 — Lire — + or − [illegible]

NETHERLANDS — February 7 — Fls. — + or − [illegible]

NORWAY — February 7 — Kroner — + or − [illegible]

SPAIN — February 7 — Pts.% — + or − [illegible]

SWEDEN — February 7 — Kronor — + or − [illegible]

SWITZERLAND — February 7 — Frs. — + or − [illegible]

SOUTH AFRICA — February 7 — Rand — + or − [illegible]

AUSTRALIA — February 7 — Aust.$ — + or − [illegible]

HONG KONG — February 7 — H.K.$ — + or − [illegible]

MALAYSIA — February 7 — MYR — + or − [illegible]

SINGAPORE — February 7 — S$ — + or − [illegible]

JAPAN — February 7 — Yen — + or − [illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO

2pm prices February 7

[illegible]

INDICES

NEW YORK

DOW JONES	Feb 6	Feb 5	Feb 2	Feb 1	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2606.31	2622.52	2602.70	2586.26	2810.15 (2/1/90)	2144.64 (3/1/89)	2810.15 (2/1/90)	41.22 (2/7/32)
Home Bonds	90.80	90.94	91.02	91.12	94.15 (2/8/89)	87.35 (23/3/89)	—	—
Transport	1071.12	1074.15	1063.30	1060.28	1532.01 (5/9/89)	959.95 (3/1/89)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	222.71	223.91	224.28	223.28	236.23 (2/1/90)	181.84 (24/2/89)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2629.50 (2633.56) Low 2588.29 (2592.12)

STANDARD AND POOR'S

	Feb 6	Feb 5	Feb 2	Feb 1	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	329.68	331.85	330.92	328.79	359.80 (9/10/89)	275.31 (3/1/89)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	380.09	382.92	381.12	378.33	411.20 (2/1/90)	318.66 (3/1/89)	411.20 (2/1/90)	3.62 (21/6/32)
Financial	27.82	28.07	27.97	27.89	35.24 (9/10/89)	24.30 (3/1/89)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	182.33	183.35	182.75	181.52	199.34 (9/10/89)	154.98 (3/1/89)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	354.74	354.70	353.56	351.50	397.03 (10/10/89)	305.24 (3/1/89)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	423.99	424.73	422.21	417.76	485.73 (9/10/89)	378.56 (3/1/89)	485.73 (9/10/89)	54.87 (31/10/72)

	Feb 2	Jan 26	Jan 19	year ago (approx.)
Dow Industrial Div. Yield	4.16	4.20	3.99	3.45

	Jan 31	Jan 24	Jan 17	year ago (approx.)
S & P Industrial div. yield	3.13	3.11	3.03	3.12
S & P Indl. P/E ratio	14.04	14.09	14.39	13.40

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Pan Am Corp	4,468,300	3⅛	− ⅛
IBM	2,701,000	102	+ 1⅞
Bank of N. Eng.	2,416,600	6¼	+ 1
Am T & T	1,603,300	39⅛	− ⅛
Philip Morris	1,522,200	38¼	− ⅝
Global Mar	1,397,800	4⅝	—
Gen Electric	1,199,100	62	+ ⅛
Exxon Coll	1,184,400	47¼	− ⅛
Phillips Pet	1,166,800	25⅞	+ ¼
Genentech	1,160,500	27⅛	− ⅜

TRADING ACTIVITY

† Volume (Millions)	Feb 6	Feb 5	Feb 2
New York	134.972	130.950	164.400
Amex	12.377	12.659	11.538
NASDAQ	119.698	108.352	135.020
Issues Traded	1,971	1,965	1,962
Rises	579	829	1,004
Falls	895	646	494
Unchanged	497	490	464
New Highs	15	21	19
New Lows	67	39	46

CANADA

TORONTO	Feb 6	Feb 5	Feb 2	Feb 1	1989/90 HIGH	1989/90 LOW
Metals & Minerals	3017.54	3056.23	3019.47	3004.18	3919.2 (1/9/89)	3004.18 (1/2/90)
Composite	3769.06	3767.21	3719.57	3709.05	4037.8 (6/10/89)	3350.5 (6/1/89)
MONTREAL Portfolio	1896.35	1896.00	1876.80	1872.91	2069.68 (10/10/89)	1677.48 (3/1/89)

Base values of all indices are 100 except NYSE All Common−50; Standard and Poor's−10; and Toronto Composite and Metals−1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Feb 7	Feb 6	Feb 5	Feb 2	1989/90 HIGH	1989/90 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1645.6	1668.8	1666.8	1669.3	1781.8 (29/8/89)	1412.9 (7/4/89)
All Mining (1/1/80)	834.3	848.9	841.2	843.0	875.1 (29/8/89)	652.6 (7/4/89)
AUSTRIA						
Credit Aktien (30/12/84)	616.13	627.63	625.96	605.06	627.63 (6/2/90)	219.5 (2/1/89)
BELGIUM						
Brussels SE (1/1/80)	6164.76	6199.59	6232.55	6237.52	6805.28 (26/9/89)	5519.30 (4/1/89)
DENMARK						
Copenhagen SE (3/1/83)	376.96	379.20	380.32	377.17	380.32 (5/2/90)	275.49 (27/2/89)
FINLAND						
Unitas General (1975)	670.6	671.6	668.6	667.2	815.8 (18/4/89)	580.8 (23/11/89)
FRANCE						
CAC General (31/12/82)	521.73	526.67	528.00	521.33	561.6 (11/10/89)	437.9 (4/1/89)
CAC 40 (31/12/87)	1895.24	1916.33	1926.14	1924.70	2006.42 (4/1/90)	1525.38 (27/2/89)
GERMANY						
FAZ Aktien (31/12/58)	798.69	806.40	807.15	795.38	807.15 (5/2/90)	535.78 (27/2/89)
Commerzbank (1/12/53)	2322.8	2370.8	2349.8	2334.7	2370.8 (6/2/90)	1595.7 (27/2/89)
DAX (30/12/87)	1900.10	1937.72	1939.43	1910.67	1939.43 (5/2/90)	1271.70 (23/2/89)
HONG KONG						
Hang Seng Bank (31/7/64)	2844.89	2792.89	2756.67	2736.55	3309.64 (15/5/89)	2093.61 (5/6/89)
IRELAND						
ISEQ Overall (4/1/88)	1842.37	1840.86	1851.81	1860.86	1893.10 (22/1/90)	1360.64 (10/1/89)
ITALY						
Banca Com. Ital. (1972)	680.28	686.22	687.20	684.57	734.84 (31/8/89)	577.49 (28/2/89)
JAPAN						
Nikkei (16/5/49)	37301.87	37666.83	37631.41	37650.15	38915.87 (29/12/89)	30183.79 (5/1/89)
Tokyo SE (Topix) (4/1/68)	2750.36	2766.13	2763.11	2762.40	2884.80 (18/12/89)	2366.91 (5/1/89)
2nd Section (4/1/68)	4224.91	4197.91	4153.41	4134.53	4224.91 (7/2/90)	2774.38 (27/3/89)
MALAYSIA						
KLSE Composite (4/4/86)	611.97	610.95	600.51	587.85	611.97 (7/2/90)	357.31 (3/1/89)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	249.4	253.0	256.1	256.8	272.7 (21/9/89)	208.3 (3/1/89)
CBS All Shr (End 1983)	191.4	194.1	196.5	197.0	210.5 (8/9/89)	166.7 (1/3/89)
NORWAY						
Oslo SE (2/1/83)	798.48	799.51	796.62	776.12	799.51 (6/2/90)	467.17 (2/1/89)
PHILIPPINES						
Manila Comp (2/1/85)	1038.91	1032.38	1020.24	1016.02	1396.26 (20/11/89)	804.62 (6/2/89)
SINGAPORE						
SES All-Singapore (2/4/75)	440.75	443.34	442.85	438.13	443.34 (6/2/90)	300.07 (4/1/89)
SOUTH AFRICA						
JSE Gold (28/9/78)	2221.0§	2227.0	2239.0	2250.0	2254.0 (12/12/89)	1291.0 (15/2/89)
JSE Industrial (28/9/78)	3218.0§	3211.0	3157.0	3031.0	3218.0 (7/2/90)	1961.0 (3/1/89)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	880.39	886.86	877.45	878.15	1007.80 (3/4/89)	844.75 (11/12/89)
SPAIN						
Madrid SE (30/12/85)	288.27	291.35	287.26	283.19	328.93 (13/9/89)	268.61 (1/3/89)
SWEDEN						
Jacobson & P. (31/12/56)	(u)	(u)	(u)	(u)	4660.3 (16/8/89)	3333.9 (3/1/89)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	767.0	771.0	771.7	763.4	829.1 (6/9/89)	613.1 (3/1/89)
TAIWAN**						
Weighted Price (30/6/66)	12154.98	12289.36	12302.07	12217.78	12302.07 (5/2/90)	4873.81 (5/1/89)
THAILAND						
Bangkok SET (30/4/75)	760.39	798.12	822.56	832.20	918.67 (5/1/90)	386.73 (2/1/89)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	546.1	545.4	543.9	571.0 (4/1/90)	487.6 (13/6/89)

**Saturday Feb. 3: Taiwan Weighted Price: 11869.40 Korea Comp Ex. 874.92

§ Subject to official recalculation.

Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX − 1,000, JSE Gold − 255.7, JSE Industrials − 264.3 and Australia All Ordinary and Mining − 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Wednesday February 7 1990

	Stocks Traded	Closing Prices	Change on day
Nippon Mining	9.2m	1,130	+10
Teikoku Oil	9.0m	1,790	-50
Cosmo Oil	8.8m	1,400	+10
Tokyo Steel	7.6m	5,500	+100
Nippon Steel	7.3m	705	-4
Toshiba	6.7m	1,180	0
Kawasaki Steel	5.8m	797	-4
Toa Steel	5.4m	1,880	+20
Sanyo Electric	5.2m	982	-13
MHI	4.8m	1,090	-10

3pm prices February 7

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		- A - A - A -								
37½	24¾	AAR	.48	1.5	19	471	31⅛	30⅞	31	- ⅛
9¾	8½	ACM n	1.01	11.		278	9⅛	9⅛	9⅛	
11⅝	10½	ACMIn	1.26	11.		274	11⅛	11	11⅛	+ ⅛
9⅞	8	ACM M	n1.01	12.		187	8½	8⅜	8½	
12⅛	12	ACMMM				107	12⅛	12	12	
11½	10	ACM Sc	1.26	11.		1007	11	10⅞	11	
9⅜	8⅛	ACMSp	1.01	11.		516	9⅛	9⅛	9⅛	
19⅜	11½	AL Lab	.16	.9	18	27	17⅞	17⅝	17⅞	- ⅛
4⅛	3⅛	AMCA	.12e	3.4	9	5	3½	3½	3½	+ ⅛
6⅛	3⅜	AM Intl			9	928	4	3⅞	4	+ ⅛
23½	16⅜	AM In pf	2	11.		34	17⅝	17⅛	17⅝	
107¼	52½	AMR			8	6255	56⅞	53¾	55⅞	+ 1⅛
6½	3⅛	ARX				21	3⅛	3⅛	3⅛	+ ⅛
72⅞	38	ASA	3a	4.3		2160	72⅛	69⅝	69⅝	- 1¾
70⅞	48⅛	AbtLab	1.40	2.2	17	2923	65⅝	64⅛	64¼	
18¼	11⅛	Abitibi g	.50			11	12⅜	12⅜	12⅜	+ ⅛
13	9¼	AcmeC	.40	4.1	11	164	9⅞	9⅝	9⅞	
9⅛	8	AcmeE	.32	3.7	11	2	8⅝	8⅝	8⅝	- ⅛
38½	25½	Acuson			20	2233	30¼	28½	30¼	+ 1⅝
16½	12⅞	AdaEx	2.06e	13.		72	15½	15⅜	15½	+ ⅛
15⅜	7	Adobe				64	13¼	13	13	- ⅛
20¼	18⅞	Adob pf	1.84	9.7		17	19⅛	19	19	- ⅛
21⅝	19⅞	Adob pf	2.40	11.		56	21¼	21¼	21¼	
10½	6⅞	AMD			5	2809	7⅞	6⅞	7⅞	+ ⅞
35	28⅝	AMD pf	3	10.		665	28¾	28⅛	28¾	+ ¼
10⅛	6⅛	Advest	.16	2.4	9	94	6¾	6½	6⅝	- ⅛
62½	48½	AetnLf	2.76	5.5	8	2943	50⅝	49¼	50⅝	+ ¾
14	9⅞	AfilPb	.24	2.2		1053	11⅛	10¾	11	+ ¼
25	16⅛	Ahmans	.88	4.9	9	x1972	18⅛	17⅝	18⅛	+ ⅛
3⅞	2⅛	Aileen				5	2⅛	2⅛	2⅛	- ⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 35

NYSE COMPOSITE PRICES

Continued from previous Page

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices February 7

NASDAQ NATIONAL MARKET

3pm prices February 7

continued on Page

AMERICA

Dow rebounds after bond-inspired decline

Wall Street

AFTER a weak start which reflected another slide in bond prices, the equity market appeared to find support and rebounded to stand higher yesterday, *writes Janet Bush in New York.*

At 2 pm. the Dow Jones Industrial Average stood 30.63 points higher at 2,636.94 on moderately active volume of 109m shares by midsession. The Dow had closed 16.21 points lower on Tuesday at 2,606.31.

The Dow initially dropped 20 points in the first half hour of trading yesterday, taking its cue from a lower Treasury bond market, but it then rebounded sharply. There appears to be technical support for the blue chip index at about 2,580, around the lows of early trading yesterday.

Both the bond and stock markets are focusing almost exclusively on this week's Treasury refunding. The three-year auction on Tuesday went very well, with subscriptions of more than $34bn representing the best demand for a three-year sale for 2½ years. There was substantial Japanese interest, with some bond analysts suggesting that bids from Tokyo may have taken more than half of the entire issue.

Talk in the run-up to the refunding has been almost uniformly pessimistic, which usually means that there is scope for a significant rally in the market. Yields have been driven up substantially – to 8.61 per cent on the benchmark long bond at midsession – which means that the market looks cheap.

Prices of Treasuries were eroded again *before the sale of* $10bn in 10-year bonds. The $10bn auction of long bonds is scheduled for today.

However, these price declines, particularly coming after heavy demand at the three-year sale, appear to be mostly an attempt by market makers to drive the market down by taking out short positions before the remaining auctions, and therefore be awarded bids at cheap levels.

There is a growing conviction that, once the refunding has been completed, there is *scope at least for a rally in the* bond market and also perhaps in equities. The question remains, however, whether any further recovery from January's lows in the equity market will be merely a temporary lift because of relief that the refunding is over, or whether *there will be more fundamental* buying for a sustained rally.

The recovery from the morning's lows was led by technology issues which performed well. *IBM jumped $2¼ to* $103¼, Compaq Computer added $2½ to $84, Hewlett-Packard gained $1⅞ to $47⅞ and Digital Equipment rose $1⅞ to $79¾.

In contrast, Apple Computer fell $1¼ to $33½ in over-the-counter trading after Mr Jean-Louis Gassee, at the centre of the company's products strategy, resigned.

Nynex Corp, fell $1⅛ to $79⅞ after a New York administrative law judge urged state regulators to turn down the company's request for a $445m rate increase made by the company's New York telephone subsidiary.

Campbell Soup jumped $1⅞ *to $49⅛ after a US press report* that the company's former chairman had explored a merger last year with Quaker Oats.

Tenneco added $1 to $65⅝ *after the company said that it* expected to report earnings per share for 1989 in the upper range of analysts' estimates of $4 to $4.50 a share.

Canada

TRADING was trendless in Toronto, with stocks climbing slightly by midsession and only gold issues shining.

The composite index rose 4.9 points to 3,773.9 on volume of 18m shares.

London bullion prices helped the golds sector. Lac Minerals rose C$⅛ to C$15⅝, Corona C$⅛ to C$11 and American Barrick C$⅝ to C$23¼.

Thailand takes a rocky ride into the 1990s

Worrying factors include allegations of market manipulation, writes **Roger Matthews**

ACCUSATIONS of market manipulation, growing domestic political uncertainties, the likelihood of higher interest rates and a four-day port strike have all contributed to a harrowing start to 1990 for the Securities Exchange of Thailand (SET), in the wake of its record-breaking performance last year.

Chao Thai Securities, a sub-broker, was suspended from trading on January 10. It does not have a seat on the exchange, but Dr Maruey Phadoongsidhi, *president of the SET, said* yesterday that the company had handled about Baht 900m ($35m) of transactions a day at its peak, about one-third of the market's total turnover.

Yesterday, the suspension was lifted with effect from next Monday, February 12, but this seemed to be for the convenience of investors, rather than the company. The market's 35 member brokers will be permitted to accept buy and sell orders from Chao Thai, to help its clients clear their outstanding accounts.

Meanwhile, Chao Thai will be allowed to resume the trading of shares through full-member brokers, while police investigate allegations that it had manipulated share prices to mislead the public.

A committee comprising representatives of the SET, the Bank of Thailand and the Ministry of Finance reported *this week. The committee's investiga*tions concentrated heavily on dealings during the final 15 minutes of trading on January 9, when 13 stocks plunged by the maximum permitted limit of 10 per cent. Dr Maruey said that the police had now been asked to investigate the matter, and that he expected them to prepare a criminal case against the company soon.

Mr Aran Thammano, who headed the committee, said that sufficient evidence had been found in Chao Thai's trading records to suggest that "certain parties" had been attempting to manipulate stock prices "in order to mislead the general public."

Mr Aran added that the activities of *Chao Thai had been causing concern* for some months. He referred particularly to the trading volume and price of Padaeng Industry and Siam Cement last October and then the confusion on January 9 when it again appeared that "certain parties" were dumping stock.

Mr Thamnoon Ingkuthanond, managing director of Chao Thai, has taken full responsibility for his firm's activities and asserted that he was not involved in any wrongdoing. It is widely believed that Chao Thai may owe up to Baht 400m to the six main brokers through which it placed its trades.

"While we remain confident about the fundamentals of the Thai market, this episode has underlined how young and underdeveloped it is," commented a broker. "We are looking forward to a *better-regulated* market and hope that the authorities will now recognise the importance of tightening regulations."

The SET index has dropped by more than 17 per cent from its January 5 peak of 918.67. This is in line with fore*casts early in December*, when several analysts were not only anticipating a correction, but actually welcoming the prospect of dampening the speculative excesses which had driven the market up by more than 100 per cent in 12 months.

THAI STOCKS plunged yesterday as the official SET index lost 37.73, or 4.7 per cent, to 760.39, the biggest daily setback since it shed 44.15 on "Grey Monday," last October. Political fears were heightened by speculation that the country's Prime Minister, Mr Chatichai Choonhaven, may soon call elections. *The index has now dropped by an aggregate of 102.03, or 11.8 per cent, in the past six sessions.*

ASIA PACIFIC

Futures-related selling hits Nikkei

Tokyo

HEAVY SELLING pressure, apparently from arbitrageurs who were unwinding their futures positions, gave share prices a beating yesterday, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average closed 364.96 lower at 37,301.87, after moving from a high of 37,692.93 to a low of 37,255.67. The sharp fall, however, came in very thin trading, with volume down from 535m shares on Tuesday to 470m.

Declines more than doubled advances by 621 to 296 and a further 218 issues were unchanged. The Topix index of all listed stocks lost 15.77 to 2,750.36 but, in London trading, the ISE/Nikkei 50 index rose 3.84 to 2,033.03.

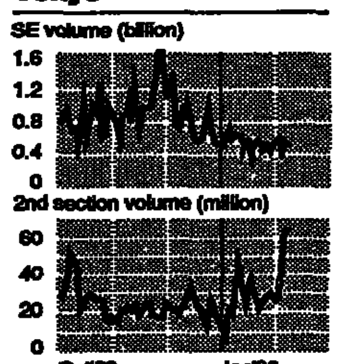
Although the yen's weakness and Wall Street's overnight fall also discouraged the market, selling in arbitrage with the futures appeared to be the major force behind the decline.

Investors were keeping a low profile on the first section of the Tokyo Stock Exchange, while the second section saw continuing strong interest. The second section index hit a record for the sixth day running, rising 27.00 to 4,224.91, while volume on the second section, at 65m shares, reached a record for the second consecutive day.

While interest rate fears kept a damper on large capital issues, and political concerns dissuaded investors from actively buying the first section, attention has focused on high-growth stocks and smaller capital issues with more volatile price movements, of which there are many on the second section.

Even on the first section, there was a little buying interest in small to medium-sized capital issues and companies with good earnings prospects. Dainippon Construction, a general construction company which is strong in civil engineering, surged Y300 to a record Y2,120.

Tokyo



Resources, which had enjoyed good rises on the strength of buoyant oil and gold prices, were mixed. Nippon Mining, which topped the most actives list with 9.2m shares, added Y10 to Y1,130. *There has been speculation* that the Saudi Arabians could buy into Fuji Oil, a refinery that is jointly run by Nippon Mining and Kyodo Oil, in which Nippon Mining also has interests.

Teikoku Oil, second in volume with 9m shares, rose Y10 during the day, but fell Y50 to Y1,790 by the close on profit-taking. Teikoku Oil had been chased partly on the strength of its natural gas development projects.

In Osaka, smaller capital issues made gains, but a lack of overall interest dampened the market. The OSE average lost 81.97 to 38,723.26 and volume retreated to 51.3m shares from 66.3m on Tuesday. Good business prospects and relatively low price/earnings ratios helped construction company Matsumura Gumi add Y80 to a record Y1,420 and Daidan, an engineering company which was also popular on speculation that it would be listed on the Tokyo Stock Exchange, rise Y130 to Y2,570.

Roundup

THE RALLY in Hong Kong was sustained by the best one-day performance since before Christmas. Among other Asia Pacific markets, Singapore marked time after its bull run and Australia was overwhelmed by doom and gloom.

HONG KONG moved sharply higher in late trading, as investors chased bargains in response to signs of a thaw in China's relations with the colony and Western nations.

The strength was sustained by continued interest from local investors and investment funds. The Hang Seng index put on 52.0, or 1.9 per cent, to 2,844.89. Turnover took off, reaching HK$1.1bn against Tuesday's HK$754m.

The advances yesterday and on Tuesday were encouraged in part by assurances last week from Chinese Premier Li Peng that China will preserve its economic reforms.

AUSTRALIA slipped sharply, worried about the rising toll of companies with financial difficulties. The All Ordinaries index shed 22.9 to 1,645.6 after a court appointed a provisional *liquidator* for Westmex, the investment company and former high-flyer.

Turnover was 117m shares worth A$221m, substantially higher than Tuesday's.

SINGAPORE weakened but prices were above their lows in brisk trade after some selected bargain hunting. The Straits Times industrial index fell 5.39 to 1,577.31, after shedding 11.12 at midday.

OCBC, the banking group, firmed 40 cents to S$12.40 as rumours circulated that the group was about to announce a restructuring plan.

TAIWAN continued to weaken, with the weighted index down 134.38 at 12,154.98.

The government economic planning body has advised *against allowing foreigners to* buy stocks directly on the local exchange for the near future. Mr David Bates, of First Pacific Securities, said: "This will be far more of a disappointment *to foreign investors than to the* domestic market."

NEW ZEALAND fell by 1.6 per cent. The Barclays index lost 30.96 to 1,936.68.

SOUTH AFRICA

SUPPORT for Johannesburg stocks remained solid in the face of some profit-taking, and the market ended mixed to firmer. The JSE overall share index rose 12 points to a preliminary 3,389 – another new high – while the industrials index gained 7 to a record 3,218. The gold index eased.

EUROPE

West German correction acknowledges yield gap

THE DECLINE of domestic bond markets preoccupied a number of depressed continental bourses yesterday, *although* there seemed to be some room for optimism over the progress of Soviet political reforms, *writes Our Markets Staff.*

FRANKFURT remembered the basics, and retreated in the wake of further declines in the domestic bond market. The FAZ index shed 15.71 to 790.69 at midsession and the DAX closed 37.62 lower at 1,900.10.

Turnover dropped from DM14bn to DM11.2bn. Investors could not ignore the rising yield gap between bonds and equities indefinitely, said Mr Peter Sexton of Merck Finck in Düsseldorf: "Some things change," he observed, "but this one hasn't."

The market correction took its standard form, with widespread falls in blue chips including Deutsche Bank, down DM23 at DM837, Siemens, DM15 lower at DM775, and Daimler, DM10.50 down at DM902.50. Asko, where there are specific worries about profits performance, fell DM50 to DM695 after a DM70 drop on Tuesday.

Exceptions included BMW, a former laggard, up DM2 to DM617. In pharmaceuticals, Schering's good results left it DM10 better at DM813; Henkel moved in tandem with a DM12.50 rise to DM592.

There was still good two-way business with the London market yesterday. Domestic and foreign investors were monitoring the latest test of Mr Gorbachev's Soviet reform programme, and a number of them seemed prepared to back the long-term prospects of the West German economy as a result.

PARIS was lifted off its lows as Wall Street regained some of *its early losses, but shares still* closed 1.1 per cent lower. Falling bonds and depressed overseas markets were behind a 21.09 loss in the CAC 40 index to 1,895.24. Earlier, the index had fallen to 1,880.45.

Crédit Commercial de France, the bank, stood out with a rise of FFr13, or 5.7 per cent, to FFr239.90 in active trading of 235,600 shares. A few good buy orders in a generally dull market would have been enough to push the stock up sharply, said one salesman.

CCF also tended to attract speculative interest, as it is *one of the few banks with a* relatively open share structure, he added. CCF was the only French issue to rise by more than 3 per cent yesterday.

Leading car stocks and industrials in decline included Peugeot, down FFr10 at FFr699, Saint Gobain, off FFr20 at FFr555, and Pechiney, FFr6.20 lower at FFr158.80. Foreign investors, particularly from the UK, were said to have been active sellers.

Euro Disneyland attracted profit-taking after its recent strength, losing FFr2 to FFr105.

Paris turnover was estimated at between FFr2.5bn and FFr3bn, after Tuesday's FFr3.4bn.

VIENNA's week-long run of record highs came to an end yesterday, as the bourse index shed 8.03 points, or 1.2 per cent, to 649.76. A correction had been widely expected, after the market's 4.3 per cent advance in the first two sessions this week.

AMSTERDAM followed its domestic bond market lower, as fears of a rise in interest rates grew. The CBS tendency index dropped 1.8 points, or 1.6 per cent, to 110.1, recovering slightly from an earlier low of 109.5.

KLM, the airline, lost Fl 1.70 to Fl 38.20 before reporting third quarter results. There were a few winners on the day, including Borsumij Wehry, the trading company, which added Fl 1.50 to *Fl* 70.50 after this week's news of 1989 profits in line with expectations.

MILAN lost ground almost across the board as disillusionment spread from foreign investors to domestic players. The Comit index shed 5.94 to 680.28.

One analyst said: "Foreigners have been providing some of the support to the market lately and they switched their attention to West Germany yesterday."

Fiat fell L150 to L10,260 and slipped to L10,180 in late trading. Selected Ferruzzi group shares went against the trend. Eridania rose to L8,630 from L8,550.

MADRID eased on profit-taking and on nervousness about declines on foreign markets. *The general index lost 3.08, or* 1 per cent, to 288.27, with construction stocks bearing the brunt of the selling. Cristaleria lost 15 points to 1,135 per cent of par, Valenciana fell 18 to 3,512 *and Focsa dropped* 25 to 2,800.

ZURICH saw a modest increase in short-term interest rates and the Crédit Suisse index fell 4.6 to 612.0.

Selling concentrated on the banking and insurance sectors, where Union Bank bearers fell SFr90 to SFr3,855 and Winterthur declined SFr125 to SFr4,300.

BRUSSELS continued its slide as high interest rates continued to erode investor confidence. The cash market index eased 34.83 to close at 6,164.76.

Cockerill, the steel group, had been suspended at BFr188 pending an announcement. It has agreed to acquire an unspecified majority shareholding in the West German auto supplies manufacturer, Ymos, on financial terms which have yet to be disclosed.

Petrofina, which topped the volume table, shed BFr25 to BFr11,700. Solvay, the chemicals group, was unchanged at BFr13,500 after its chairman, Baron Daniel Janssen, detailed a widely-expected capital spending budget of BFr38bn in 1990.

OSLO inched below Tuesday's record in active trading, with slightly easier oil prices and falls on other stock markets restraining the bourse. The all-share index closed 0.05 points lower at 600.18.

Norsk Data, buoyed up by a lower-than-expected loss for 1989, finished NKr5 higher at NKr40.

STOCKHOLM closed 1 per cent lower with the market worried about the banks' strike and the state of the economy. The Affärsvärlden general index lost 13.2 to 1,240.2.

Actively-traded Ericsson free Bs fell SKr10 to SKr965 before the announcement of 1989 results, due today.

COPENHAGEN declined in quiet trade as the market digested recent rises, with the bourse index losing 2.24 to 376.96.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY FEBRUARY 6 1990						MONDAY FEBRUARY 5 1990			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989/90 High	1989/90 Low	Year ago (approx)
Australia (84)	148.92	+0.2	129.68	129.11	−0.1	5.22	146.58	129.96	129.26	160.41	128.28	150.05
Austria (19)	247.58	+3.0	215.60	213.44	+1.9	1.25	240.41	210.28	209.52	247.58	92.84	94.47
Belgium (61)	150.53	+0.5	131.09	128.63	−0.6	4.33	149.74	130.97	129.43	160.02	125.58	133.69
Canada (120)	141.72	+0.2	123.41	121.86	+0.1	3.32	141.40	123.68	121.79	154.17	124.67	137.27
Denmark (36)	260.82	+1.3	227.13	227.30	+0.6	1.39	257.54	225.27	225.84	260.82	165.35	156.53
Finland (26)	152.29	+1.2	132.61	125.20	+0.4	2.40	150.46	131.61	124.73	159.16	118.63	140.50
France (125)	153.63	+0.1	133.79	135.98	−0.4	2.77	153.42	134.19	136.57	157.97	112.57	118.26
West Germany (96)	137.01	+0.7	119.31	118.06	−0.1	1.80	136.05	119.00	118.12	137.01	79.56	85.63
Hong Kong (48)	114.88	+1.6	100.04	115.19	+1.6	4.95	113.12	98.94	113.42	140.33	86.41	129.37
Ireland (17)	197.54	−0.3	172.03	174.46	−0.7	2.39	198.19	173.35	175.69	198.57	125.00	135.86
Italy (96)	99.47	+0.2	86.63	91.71	−0.3	2.50	99.32	86.87	91.97	102.11	74.97	79.13
Japan (455)	185.81	+0.1	161.81	170.43	+0.0	0.48	185.56	162.31	170.49	200.11	164.22	193.44
Malaysia (36)	241.57	+1.2	210.36	251.20	+1.2	2.13	238.75	208.83	248.22	241.57	143.35	156.84
Mexico (13)	366.51	−1.0	319.16	1092.96	+0.0	0.47	370.24	323.84	1092.96	371.93	153.32	163.12
Netherland (43)	140.06	−0.6	121.96	119.54	−1.3	4.50	140.86	123.21	121.13	145.66	110.63	113.97
New Zealand (18)	71.66	+0.4	62.40	63.26	+0.0	5.57	71.38	62.44	63.26	88.18	62.64	73.19
Norway (24)	237.90	+1.8	207.17	207.14	+1.0	1.32	233.63	204.35	205.17	237.90	139.92	159.28
Singapore (26)	199.38	+0.9	173.62	170.53	+0.4	1.71	197.54	172.79	169.82	199.38	124.57	139.70
South Africa (60)	251.39	+2.0	218.92	175.84	+1.0	3.17	246.44	215.56	174.05	251.39	115.35	125.62
Spain (43)	160.53	+0.3	139.80	130.80	+0.0	4.01	160.05	140.00	130.83	169.75	143.14	146.79
Sweden (35)	200.95	+0.4	174.99	180.87	−0.1	1.94	200.22	175.13	181.02	206.95	138.45	147.85
Switzerland (62)	98.04	+0.1	85.38	89.78	−0.1	2.00	97.90	85.63	89.83	99.12	67.81	76.21
United Kingdom (306)	161.09	−0.7	140.28	140.28	−1.1	4.51	162.14	141.82	141.82	164.31	133.28	150.74
USA (542)	133.39	−0.6	116.16	133.39	−0.6	3.54	134.19	117.37	134.19	146.29	112.13	121.90
Europe (989)	146.26	+0.0	127.37	127.12	−0.5	3.37	146.33	128.00	127.88	146.66	112.63	119.54
Nordic (121)	201.89	+0.9	175.81	171.48	+0.3	1.68	200.04	174.97	170.89	201.89	137.95	144.01
Pacific Basin (667)	181.88	+0.2	158.39	166.79	+0.0	0.72	181.58	158.82	166.80	194.72	160.44	188.98
Euro−Pacific (1656)	167.86	+0.1	146.18	151.00	−0.2	1.66	167.70	146.69	151.33	174.18	141.56	161.17
North America (662)	133.79	−0.5	116.51	132.68	−0.6	3.53	134.52	117.66	133.41	146.66	112.79	122.73
Europe Ex. UK (683)	135.73	+0.3	118.20	118.84	−0.3	2.62	135.26	118.31	119.15	135.73	96.30	100.33
Pacific Ex. Japan (212)	134.60	+0.7	117.21	121.25	+0.5	4.72	133.65	116.91	120.71	140.06	111.93	134.80
World Ex. US (1849)	167.87	+0.1	146.19	150.56	−0.2	1.73	167.67	146.66	150.85	173.77	141.49	159.99
World Ex. UK (2085)	153.93	+0.0	134.05	145.24	−0.2	2.04	153.99	134.69	145.58	162.00	136.98	144.74
World Ex. So. Af. (2331)	153.96	−0.1	134.07	144.51	−0.3	2.26	154.14	134.82	144.96	161.84	136.67	145.38
World Ex. Japan (1936)	139.97	−0.3	121.89	131.55	−0.5	3.50	140.32	122.74	132.21	145.52	114.51	122.13
The World Index (2391)	154.55	−0.1	134.59	144.73	−0.3	2.27	154.70	135.31	145.18	162.05	136.68	145.26

Prices for Finland & Sweden were not fully updated following problems at the exchanges. New Zealand market closed February 6.
Latest prices were unavailable for this edition.